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From sugar barons to textile tycoons

LAHORE: Pakistani planners always adhered to the concept that trade and industry could take people out of poverty. Their choice of industries and trades however created an elite class instead of a prosperous society.

It is true that for developing economies with large population, industrialisation is the best option to provide jobs to the masses. The planners in developing economies also ensure that trade does not hurt the domestic industries.

As far as the services sector is concerned, they ensure the construction business operates freely under fair regulation. Construction is the largest provider of jobs for the unskilled that are plenty in developing poor economies.

We encouraged establishment sugar mills in the country when producing sugar from the sugarcane crop available in Pakistan was not feasible. Even the World Bank at the start of the century advised Pakistani planners to stop promoting sugar industry, because Pakistan was not in the tropical zone where sugarcane yield per acre and sugar content is higher.

The promotion did create some political billionaires, but we have lost most of our cotton fields to sugarcane. The eighty odd mills cumulatively employ hardly 80,000 workers that serve 80 multi-billionaires.

In the dairy sector, we encouraged the long life ultra-heat treated packaged milk having shelf life of over 3 months instead of encouraging setup of small milk pasteurisation plants having shelf life of 48 hours. The cost of pasteurised milk would have been 40 percent cheaper than UHT milk. It would have provided sustainable livelihood to millions of workers mostly belonging to agricultural families.

The producers of UHT milk lament that the production of processed UHT milk in Pakistan is hardly 4 percent of the total milk produced in the country. Can they name any country even the most developed one where the percentage of UHT milk is higher than this?

Most developed economies consume pasteurised milk in daily diet, while UHT milk is consumed when they go on vocational trips. Neighbouring India has the world’s largest milk cooperative that markets pasteurised milk at reasonable rates.

Milk rates in Pakistan are high because the UHT milk retail price is taken by the milk sellers as a benchmark. The farmers otherwise sell their pure milk (buyers ensure its purity) to the UHT milk producers at Rs50-60 per litre.

Pakistan allowed commissioning of manmade fibre unit in the country on massive 10 years' protection. During the entire protection period, the producer charged higher than the global rates of polyester fibre that effectively eliminated Pakistan from the blended textiles market.

Even after the protection period was over the manufacturer enjoyed duty protection of over 7 percent for another 5 years. Today Pakistan is mainly exporting cotton textiles that commands only 30 percent share in global textile trade.

What has Pakistan gained from this protection? It neither created jobs nor supplied basic raw material to the textile sector at competitive rates.

Economic planners rightly saw that textiles have the potential to earn huge foreign exchange, besides ensuring prosperity of our cotton farmers. For almost a quarter of a century (1963-90) the state promoted basic textiles that exported yarn to the world.

Textile benefits only those economies both in earning high foreign exchange and creating jobs if the yarn is converted to value-added garments and knitwear – a concept successfully adopted by Bangladesh, Vietnam and Cambodia.

Value-added textile sector was developed by small entrepreneurs by installing small stitching and knitwear units. They developed into medium units over a period of 30 years by reinvesting their incomes in their units.

Moneyed spinners, having resources to establish large stitching units entered the field very late and many of them failed because the sales and production dynamics of apparel are different and need full time attention.

Yarn could be sold by sitting in the office (then not now). Bangladesh and Vietnam each employ 10 times more workers in textiles than Pakistan today, because they are in value-added sector of textiles that is not only a high foreign exchange earner but also one of the most labour intensive industries in the world even in current days of automation.

Cement sector was not encouraged the way sugar barons were, but it attracted a lot of domestic investment, as margins in cement were high and demand was constantly increasing. It is worth noting that some of the largest investors in this sector are from the basic textile sector.

They did not invest in value-added textiles that needed only 10 percent of the amount that they invested in their cement plants. Most of the elitists in Pakistan are from the above lucrative sectors that provide few jobs, but fatten the purses of the sponsors.