A Critical Study of the Industrial Policy of Pakistan: Problems, Prospects and Solutions

Dr. SUWAIBAH QADRI
Lecturer (visiting faculty), Iqra University
Karachi, Pakistan

Dr. SAMRA SARFRAZ KHAN
Assistant Professor
Department of History (gen.), University of Karachi, Pakistan

Abstract:

This paper examines the industrial policy of Pakistan for an analysis of the reasons contributing to its current uninspiring situation. To understand the process of decision making and its impacts on citizens, a brief history of industrial policy of the country is also discussed. The paper in the latter half will explore prevalent issues in Pakistan’s industrial policy when it is benchmarked with international standards of policymaking. Recommendations for an industrial policy that can be adopted on short and long-term basis to improve the state of affairs in the industrial sector are given towards the end of the paper.

Key words: Industrial, fiscal, economy, trade, policy, business, development, urbanization, capital, growth.

INTRODUCTION

A country’s policy making not only plays an imperative role in the governance of the affairs of state but also has some serious implications on the growth and development of a country. With
the advent of the modern state system, states have been heavily emphasizing on devising such impeccable public policies that could pave the path of national and international growth for the country (King & Rebelo, 1990).

In the case of Pakistan, a thorough examination of socio-economic and political environment of the country will be useful in understanding the basis of current industrial policy of Pakistan. It is due to the reason that fiscal policy and the law and order situation are indirect determinants of the industrial policy for any state. The type of policy making, the mindset of policy makers, and the study of it are equally important as well (Gerston, 2014).

GENERAL OVERVIEW OF THE ECONOMIC AND SOCIO-POLITICAL ENVIRONMENT OF PAKISTAN

A study of the above mentioned factors; namely; society, politics and economy is necessary to understand the underlying principle of the entire policymaking process in Pakistan. The economic factor is directly related to fiscal planning, HDI and GDP computation; hence, it is indeed the biggest constituent of the policy making process (Dales, 2002). As of recent, Pakistan is the 48th largest economy in absolute dollar terms and ranks 27th in terms of purchasing power. Textile, food processing, agriculture and chemicals constitute the heart and soul of Pakistan’s economy. But these sectors have also continued to suffer since the inception of the state of Pakistan due to a rapidly growing population, lack of infrastructure development, confrontations with regional actors and with the ever-growing challenges of terrorism and globalization (Saeed, 2000; Ali, 2010).

In spite of the deteriorating situation at face with the economic sector of Pakistan, the country’s economy in the recent past however managed to acquire some respite due to certain government policies, including those funded by IMF,
increased foreign direct investment and access to newer global markets. Since the beginning of the current century, there has been a boost in economic reforms for which privatisation of the banking sector has been a major help. Other macroeconomic reforms have also been useful; such as strict regulation of the monetary policy and the interest rate. Inflation and increasing global oil prices which were menacing some five years back have settled down. Moreover, the core inflation rate reached 7.64 percent from 2010-2017. (Shah, Li & Hasanat, 2013; Pakistan Core Inflation Rate, 2010-2017). In addition to this, the State Bank of Pakistan has also been trying to find a good balance between expansion and contraction (Aleemi, Tariq & Ahmed, 2016).

Since 1951, Pakistan’s GDP has not only grown periodically but has also unexpectedly bounced back from various precarious situations such as the trade embargos of the 1990s and from the global recession in 2009. However, despite this somehow sustained growth, the country’s economy lay way below many countries that almost equal Pakistan in matter of available resources. This has primarily been due to the vulnerable nature of the country against internal and external upsets. On the other hand, leakages in the economy and heavy expenditure on defense budgets can be also attributed to the ill performance of Pakistan on the economic front.

Nevertheless, various efforts to end the economic stagnation as of today seem to be well under way through the introduction of such initiatives as the China Pakistan Economic Corridor (CPEC) and are guaranteed to bring good news for the Pakistani economy in the years to follow.

The threat of extremism that had previously derailed Pakistan from economic development for almost two decades has also been brought well under control. The government and military of Pakistan having fought a long war against terrorism in the state have managed to subdue the threat and this in turn has greatly contributed to a better economy. Due to better law
and order conditions, foreign direct investment has grown and new avenues have risen of which CPEC is the most vivid example.

The Human Development Index (HDI) ranks Pakistan as Medium Development Country and Pakistan is also a part of the ‘Next Eleven’. However, the national economy has a loose, informal base and literacy rate is almost around 50% with an annual population growth rate of 1.8% (Feeney & Alam, 2003). Pakistan is a country which has been marred by both democratic and militant rule. The first decade saw political unrest and turmoil. Almost seven heads of the state were either ousted or made to resign. This decade also witnessed the first military coup in the country that was to become a prelude of regular military interventions in the otherwise apparently democratic state system. Feudal system has not only continued to exist in various parts of the country, and despite democracy, it has gained most considerable strength in the political structure. The same two factors have led to the development of the notion that the country has been ruled by the mostly the same people, but under different avatars (Khan, 2005).

It is an admitted fact that public opinion regarding these politicians is full of doubts, mistrust and misgiving. Political development, theoretically, remains very strong but based on factual analysis the results remain rather below par. The allotment of power to the granular level is nil and most of the institutional powers are still centralized. A dire need is observed to increase the number of administrative units due to increasing national differences yet the government is adamant to not sacrifice the federal powers. Another issue of a sluggish political growth is the sheer absence of middle-class and lower-class contribution in the National Assembly or Senate. Most of the elected members belong to either feudal or otherwise influential families that have had a dynastic control on national level politics and have therefore served multiple times at the state level. As a result, feudal lords are still in control with
their powers eluding the power of the state (Durrani, Hoffer & Hoffer, 1996). In short, the plight in Pakistan remains that most members of the Upper and Lower House are selected rather than elected. Other than a few minor exceptions in the urban centers where the power of vote can be observed, there is a dire need for a major revision of the political system of Pakistan.

As with the political environment, the story of economic and socio-economic development is very similar in Pakistan. As of 2012, the value of HDI is at 0.51, ranking Pakistan at 146th position, that is, in the segment of low development countries. The contributing factor to this situation is the lack of widespread social development which in turn is a by-product of concentration of wealth and power. It is to be noted here that in a country like Pakistan social development is a direct resultant of economic and political development. Although the HDI of urban centers is more than 0.8 but this figure is also misleading since Karachi, the biggest city, has one of the worst development indexes. The picture is very bleak as far as Government contribution is concerned. However, NGOs and private organizations are filling the void left by central and provincial governments at their best. Most organizations operating in Pakistan today have established Corporate Social Responsibility (CSR) projects. NGOs like Edhi, Burney and Saylani are playing their part in not only educating the masses but also providing them basic health and sanitation facilities, tasks considered to be primary duties of the state (Mahmood, Khan & Masood, 2016).

PUBLIC POLICY AND POLICY MAKING IN PAKISTAN

The procedure of policy making in Pakistan is not institutional-based but rather the decision making is heavily personalized which only tends to serve the interests of a small section of the society. This tendency has unfortunately remained unchanged
during the times of both civilian as well as democratic phases of the country’s political history. As a result, the historical precedence that remains active till date is of the power going in favor of the selected-few while the national institutions have been kept from evolving into strong bodies capable of devising and implementing such policies as those essential for socio-economic and political development in the country. The core problem has remained with constraining the development and implementation of such public policies as those suited to the best interests of the citizens of the state. It also still remains to be understood by the political elite that a country’s public policy should remain within the realm of public and it should be segregated at federal, provincial and local levels with clear demarcations. The Parliamentarians should thereby be well erudite to understand public issues to envision a public policy which the legislators should pass after they are ensured that the specific policy would be implemented in its truest spirit (Kochanek, 1983).

Moreover, public policy in Pakistan has always been subject to the addressing of immediate needs and issues. The policymakers of Pakistan have never laid out clear goals and objectives on the basis of long term development plans; rather they have relied on solving problems on the existing problems. Although this approach has helped Pakistan to recover from the immediate problems that it has faced from time to time, the same tendency has also resulted in a serious underperformance of the much needed developments at social, political at economic levels. In fact, it is due to this myopic policymaking methodology that Pakistan has so far been unable to expand on the path of growth and development.

In addition to the above mentioned factors, policymaking in Pakistan is mainly carried out by the executive. The executive in result has assumed a towering role in the political configuration of the country. The politicians responsible for envisaging the national public policy are highly dependent on
bureaucracy and instead of initiating a participative political process; they are more likely to follow advises from these superior offices. Another important fact in this regard is the regulation of these policies which are completely in the hands of the bureaucracy; thereby further complicating the policymaking progression. Hence, as a result of this dependence, the role of forming and implementing a policy has been taken by the bureaucracy, instead of the people’s elected representatives (Kalia, 2013).

A BRIEF HISTORY OF THE INDUSTRIAL POLICY OF PAKISTAN

The history of carving industrial policy in Pakistan is a rather turbulent one. These policies for the national industrial sector were either carved as medium term plan or an emergency ad-hoc response to some events. The missing link was the long term vision in global and strategic contexts at the time when these policies were created. Different industrial policies of Pakistan that were historically adopted can be segmented into five different phases.

The first phase was adopted right after the independence in 1947 and was further added on after India placed a trade embargo on Pakistan in 1949. This was the time when the government of Pakistan was gravely dependent on India and its approach towards the newly created country. As a matter of fact, Pakistani economy was largely dependent for its allocation of resources and dependence on India for trade. The early signs from New Delhi ensured that India was actually of the opinion to smother Pakistani economy. Hence, the decision was taken to strengthen the industrial base of Karachi. This policy ensured that private entrepreneurs were given an opportunity to lead newer businesses and were provided shelter against external competition. This resulted in a rapid increase of industrial output. While India’s focus was on heavy
industries, Pakistan focused on the growth of consumer goods industries.

The second phase was launched during the era of Ayub Khan. This was largely an extension of the previously held approach, but with two differences. Firstly, it introduced the distribution of industrial licenses so that the allocation of industries could be widespread. Secondly, the establishing of financing companies was to increase the scope of industrialization. These companies got ample funding from the World Bank. The major motive behind this step was to introduce industrial sector in areas other than Karachi which had by then emerged as the industrial center of the country. The biggest beneficiary of this policy was the textile sector. The new textile industries were setup mostly in Punjab through loans from these financial companies.

The third phase of industrialization was an absolute turn over as the capitalist government of Ayub Khan was now replaced by a secular left-wing government in Pakistan. The government of Z.A. Bhutto from its very start waged a war against industrialists and introduced a strict nationalization policy against all private ownerships. He was following footsteps of the Indian nationalization policy that was adopted by Jawaharlal Nehru. In this context, the role of the state was established as industries were nationalized and investments were provided by the public. The state acting as guarantor provided investors the guarantee on returns which they required. It is widely believed that this policy of nationalization could indeed have been lucrative had its execution not failed so miserably in face of widespread corruption in the country at the time. Another contributing factor to the unproductive policy was that the output was not as great as expected since there was neither any product innovation nor differentiation, and advancements were not made for the final consumer; thereby leading to stagnant sales.
The fourth stage in the industrial policy of Pakistan was brought in the decade of 1990s when several initiatives were taken to bring back the public sector in the state’s economic affairs. This privatization was even less viable than the previously designed policy, since the corruption at state level was now deep rooted in the national institutions. The famous industrial family such as the Sharif’s and Choudhry’s got their businesses back during the fourth phase. These families were also closely linked with the government since some of their family members now occupied parliamentary seats, a phenomenon overly common in the political structure of Pakistan. The government provided easy state funds to companies as an incentive to re-open their businesses and thus contribute to the Pakistani economy. The most important development in this period, however, was the development of Small and Medium Enterprises Development Authority (SMEDA) which not only ensured the growth of all small and medium rank businesses were to be facilitated by the central government but also provided them technical aid to setup their businesses across the country. Also, they were given financial support and advise so as to manage and maintain their own funds (Burki, 2008).

The fifth and final phase final phase of the industrial policy in the history of Pakistan was the extension of the fourth phase under the government of Pervez Musharraf. The pace of privatization increased, and in order to reduce the barriers to new entrepreneurships, deregulation of institutions was carried out to facilitate the economic situation of the country. During this time, trade agreements were signed with different countries, as a result of which new partnerships emerged. The tariff management also saw important adjustments, especially in the sectors of automobiles and consumer electronics. The financial sector was also improved and new laws were constituted to meet the purpose of enhanced economic growth. Musharraf government also tried to decrease barriers to entry
for new investors while also providing a sound regulatory environment for customers’ protection to increase the output efficiency.

These initiatives sound and practical as they were, significantly lacked in giving complete powers to the regulatory authorities, which meant that they were unable to perform at their optimal level. As a consequence, there continued to exist a clash of interests as head of these institutions became important than the institution itself. This in turn meant that due to their non–optimal performance, industries suffered.

Thus, the history of industrial policy in Pakistan suggests that lacking in vision and a clear direction, the industrial sector of the country has been in a complete turmoil. The applicability of policy is also questioned since it has always been planned and executed on a short term basis, whereas in long term; the policy has not completely resonated. Resultantly, the industrial sector has been at the back foot and contemporary economies like the states of Southeast Asia have grown leaps and bounds.

ANALYTICAL SURVEY OF THE CURRENT INDUSTRIAL POLICY OF PAKISTAN

The current industrial policy of Pakistan is a further extension of 2011 industrial policy. The chief attribute of this policy is the focusing on developing the manufacturing sector while realizing the potential of the economy to improve the GDP rate. The underlying idea of the said policy is to leverage the GDP growth rate to generate newer jobs and benefit the low-income stratum of the society by using local resources and relying on local workforce, through proper nurturing and training. It is also realised that the Public Private Partnership (PPP) business model has to be at the epicenter so that growth can be generated through boosting the private sector. The core focus is on the operational efficiency and yield of the institutions to
make them more agile, diverse and proactive to changes or shocks in the economy. It has also been contemplated at certain levels that the involvement of bureaucracy has led to negative effects on the national economy since the inception of the country and that therefore its involvement needs to be curtailed. Moreover, there has also been a wider understanding at both political and apolitical levels of the need for taxation and of the regulation requirements to be fortified in the revenue department for the attainment of better results (Department of Planning, Development & Reforms, 2011).

Macroeconomic stability has also been suggested via the enhancement of control mechanisms. Development of new processing zones and CPEC are destined to have long lasting effects on the economy of Pakistan. The development of HDI is for most parts dependent on the industrial development that this policy seeks to achieve. On the labor front, the policy seeks to fix a high minimum income for the laborers and to increase the learning through different vocational trainings. The current policy also seeks for the development of friendly trade with neighboring countries such as India and Iran with special emphasis on the development of trade and industry with India. In a similar context, the national law and order situation has greatly improved which in return has provided an opportunity to new entrepreneurs to plunge into the business circle. Furthermore, the prevailing industrial policy is exploring newer ventures and industries which have not been experimented before (Hussain, 2016).

ROLE OF INDUSTRIAL SECTOR IN NATIONAL ECONOMIC GROWTH

Industrial sector is considered to be the spinal cord of a state. There exists no precedent of any state that achieved a phenomenal rate of growth without having a developed industrial sector. The concept of a country’s growth has always
been associated with the growth of industrial sector. Economic literature suggests that industrial sector is the key to rapid growth of global mature economies. Most of the economic growth models available till date consider the role of industrial sector as indispensable in achieving ideal rate of economic growth (Leff, 1978).

It has also been reported in many researches that in the current era of globalization, the industrial sector of most countries has the largest share in the GDP. The rapid growth of economy, and by extension, the development of economy is beholden of industrial sector. Not only is the industrial sector being credited for its colossal share in the GDP, but it also supports other sectors such as agriculture and services. As a matter of fact, most of the developed nations today enjoy high end technological products that help them to increase their productivity. The introduction of latest technologies in the country is also a gift from the industrial sector. It is the industrial sector that brings latest technologies and invests on research and development to innovate high end technologies. This, in turn, helps the industrial sector to grow at a much faster pace. Moreover, the infiltration of high end technologies in the economy also aids other sectors to improve their productivity. It has been noted in several studies that with the help of advance machineries and technologies, the output of agricultural sector has increased three folds (Hatzichronoglou, 1997).

Apart from the technological advancements that industrial sector brings to the economy; it also provides the capital required to fill in the leakages of the economy. The concept of capital formation is central for economic growth. Whether an economy follows classical or neo-classical model of growth, capital formation is a must for achieving substantial growth levels. It is the industrial sector that helps the economy in capital formation, as there are less opportunities and
incentives in other sectors to pump in hefty inflows of capital in the economy (Kemal, 2006).

The three sector theory developed by famous classical economists also indicates the importance of industrial sector in terms of poverty alleviation, employment creation, urbanization and development. The theory suggests that with the advent of growth and development of an economy, the emphasis of the economy shifts from agricultural sector to the industrial sector. Industrial sector then becomes the major employer of labor force, which in turn initiates the process of urbanization, poverty alleviation and development of the state.

Other perks of a developed industrial sector include increased of standards of living, that is, a mass shift from socioeconomic class ‘C’ to socioeconomic class ‘B’, increase in the volume of trade and surplus of balance of trade, self-reliance on the production of defense and military goods, efficient utilization of the natural resources with the help of technological advancements brought by the industrial sector and rapid growth of national and per capita income (Harris & Todaro, 1970).

MAJOR PROBLEMS IN THE INDUSTRIAL SECTOR OF PAKISTAN

The industrial sector of Pakistan is still striving hard to achieve the status of a developed industrial sector as per international standards. The industrial sector of Pakistan, in fact, is still in its developing phase and there remains a lot to achieve before the country can boast of a significant economic base. There are several reasons that hinder the industrial growth of Pakistan. Some of the worth mentioning reasons for the industrial backwardness of Pakistan are highlighted below:


**Labor Intensive Industries**
Most of the industries in Pakistan are capital intensive, that is, they are producing such goods that require an intensive use of capital. Since Pakistan is a developing nation and is labor abundant, hence the efficiency condition requires the industrial sector to produce the goods that are also labor intensive in nature of production. Since the abundance of labor in Pakistan makes contribute to cheap costs of production; therefore, labor intensive industries would have lower average costs. This would help the industries to flourish and capture greater market shares by providing goods at lower prices and earning higher profits (Kemal, 2006). Therefore, as of present, abundant labor as well as the lower labor costs have not yet been fully utilised at state level as a stimulant for increased and well-paced economic growth.

**Establishment of Multiple Growth Poles**
The industrial sector of Pakistan lacks in diversification. There is hardly any concept of hedging in the industrial sector of Pakistan. The industrial sector of Pakistan is based entirely on two to three major industries. In order to be economically efficient, the industrial sector needs to try to establish new growth poles. This diversification would ensure the growth of industrial sector in a way that even when a few industries are marred in performance, the growth rates from other industries would cover the losses. Pakistan should adopt the bold strategy similar to India to develop several new industries so as to ensure diversification and sustainable growth.

**Political Instability**
The law and order situation of Pakistan is also a prime reason for the industrial inefficiency of Pakistan. Political instability has been causing irreparable losses to the industrial sector. Foreign direct investments have been very low and certainly do not meet the requirements needed by Pakistan for achieving
potential growth rates. Although, there are opportunities in Pakistan to invest and grow, however, the political instability and disordered situation of the state has been the source of discouragement to many foreign investors. In addition to this, the lack of infrastructure facilities and basic necessities, such as the shortage of gas and electricity, is also serving as a hurdle for foreign direct investments.

**Barriers to Entry**
Entry to the industrial sector of Pakistan has been made extremely difficult by the authorities. Apart from the competitive entry barriers, there are many unnecessary formalities that need to be observed by a new entrant. Due to this, the industrial sector of Pakistan has lost potential investments worth billions of dollars.

**Progressive Taxation**
The Federal Board of Revenue (FBR) of Pakistan has been collecting taxes according to the structure of progressive taxation, which is considered as inefficient in growing economies. In order to ensure sustained growth of the industrial sector of Pakistan, the authorities should devise optimal tax rates under regressive scheme of taxation. This would lower the costs in the industrial sector, which in turn would not only help increase the production of industrial sector but will also attract investments from abroad (Feltenstein & Shah, 1993).

**Role of the Political Elite in Substandard Economic Growth**
An analysis of the industrial policies of Pakistan that have since been followed clearly indicates the wrongdoings of policymakers. Since the creation of Pakistan, there have formally been five different industrial policies devised at the national level, of which only the industrial policy followed
during the tenure of Musharraf’s government achieved some mentionable success. Moreover, lack of a careful analysis of the problems faced by the industrial sector has also led to the development of insensible industrial policies by the policy makers.

Policymakers in Pakistan have always emphasized on devising a centralized industrial policy for Pakistan, which has never been successful. The industrial sector of Pakistan requires province-based industrial policies to ensure the growth of its industrial sector. The current industrial policy of Pakistan can also be prudently utilized to eliminate the issues of the industrial sector to manageable extent; however, the lack of implementation is what makes the industrial policy sans fructuous. The Political turmoil and instability of Pakistan has made the industrial policy ineffective, not so much due to the loopholes in the policies, but primarily because of the lack of good governance in the country. During Musharraf’s term as the President, the industrial policy of Pakistan properly addressed all the issues faced by the industrial sector. SMEDA was working in its full swing and proper linkages were developed between financial markets and the industrial sector to ensure smooth flow of funds to the industrial sector. Trade policy was revised to protect infant industries and funds were allocated for the purpose of research and development to increase the productivity of industrial sector up to the extent of its global competitors. In addition to Musharraf’s era, there have been recent attempts at provincial level to increase the economic viability by using the available resources to enhance economic growth in these quarters. As a matter of fact, the central government has gradually reached the level of allowing provinces to devise and implement economic policies for their respective sphere. For example, it was for the first time in 2016 that the Chief Minister of Khyber Pakhtunkhwa (KPK) announced an industrial policy for the province with the aim of maximum utility of available resources (The Nation, 2015). The
idea behind devising separate industrial policies for provinces is that it would help the provinces to address the issues pertaining to industrial sector of their respective provinces (Burki, 2008).

As of present, the chief objective of the industrial policy of Pakistan is to achieve rapid growth in industrial competitiveness and value addition. It stresses heavily on the improvement of human capital to make the workforce more productive in order to increase the industrial output. The industrial policy further seeks to increase the output of industrial sector by two-fold in the next ten years and targets to increase the employment rate of industrial sector from 13pp to 20pp of the total labor force. Moreover, the policy also emphasizes heavily on the setting pace to the process of industrialization and seeks to make Pakistan emerge as an industrially developed country (Noman, 2015).

All these objectives are well aligned to address the reasons discussed above for the sub-standard performance of the industrial sector of Pakistan. However, the core issues of low growth rates still exist despite having such an industrial policy. It is the lack of implementation that makes the country’s industrial policies ineffective. The weakness of the departments liable to enforce the policy measures translates into the failure of the industrial policies of Pakistan.

CONCLUSION

The current industrial policy of Pakistan is very well devised in terms of addressing the issues faced by the industrial sector of Pakistan. The quoted growth rates that the policy aims to achieve in long term are justified. Creation of employment opportunities within the sector is an efficient measure as it leads to the process of urbanization and in turn the economic development of the country. The process of industrialization is being emphasized heavily in the current industrial policy of
Pakistan. Policymakers have identified the importance and connection between the urban growth and economic development.

However, there are several issues that still remain unaddressed by policymakers in the industrial sector. The industrial policy of Pakistan has always had short term implications, whereas there has hardly been any policy that has ever focused on short term goals. A short term industrial policy can be successful only when it is announced in conjunction with short term policies.

Apart from this, the current industrial policy of Pakistan is not properly aligned with other economic policies such as trade, fiscal and monetary policy of the country. Certain benefits could be obtained if the industrial policy is devised in accordance with the other relevant policies. Furthermore, the industrial policy does not emphasize on strengthening the linkages of financial sector with the industrial sector, due to which there remains a shortage of capital injections in the industrial sector.

In light of the reasons discussed above for the industrial slowness of Pakistan, political instability and lack of good governance can be identified as the root-cause of below par performance of the industrial sector. It is not that Pakistan lacks resources that are required for rapid industrial growth or that it lacks subject specialists to formulate an impeccable policy, but it is the lack of implementation, political volatility and the absence of a sound administration that hinders the required growth of the national industrial sector. As a matter of fact, implementation of national policies is linked directly to good governance and political stability. Pakistan has unfortunate has so far been unsuccessful in experiencing a steady length of a political chapter in its history. The instability of political scenario of Pakistan has always provided hindrance to the establishment of good governance in the country, which

in turn has caused the failure of policies and has made the efforts of government ineffective.

**Recommendations**
In the light of the findings based on the facts presented in this paper, following are some recommendations that are proposed to eliminate the issues faced by the industrial sector of Pakistan.

**Promotion of SMEs**
It is recommended that the industrial policy should focus on promoting the small and medium scale enterprises. These enterprises require less finance and are also initiated by individual entrepreneurs. Since Pakistan is a growing economy with lack of capital resources, SME friendly industrial policy would ensure sustained growth and expansion of the industrial sector.

**Infrastructure and Better Environment**
Policy measures alone are insufficient to initiate rapid growth of industrial sector. The government should seriously look into providing proper infrastructure facilities and should control the law and order situation. Peaceful environment with improved infrastructure facilities would work as a catalyst for the rapid growth of industrial sector in Pakistan.

**Industrial Cities & Zones**
Industrial policy should work out on providing maximum industrial zones with improved facilities to the investors. FDI is an important source of investments in the industrial sector and can only be attracted if better facilities are provided to the foreign investors at lower rates.
Other Economic Policies
Economic policies such as trade, fiscal, monetary and foreign policies should be devised in accordance with the industrial policy. Well aligned policies can certainly help to achieve the objectives and the policies can become more effective. The government should employ protective trade policy in certain sectors to flourish the infant industries of Pakistan.

Diversification
Industrial policy should encourage investments in diversified industries so that during the times of economic contractions, the industrial sector may not fall apart completely.

Allocation of Funds for R&D
Research and development improves the productivity of industrial sector. The industrial policy should allocate funds for the purpose of research & development, so that the productivity of industrial sector of Pakistan can be made equivalent to its global counterparts.

Short term and Province-wise Policies
In addition to the long term industrial policy, the policymakers should also focus on devising short term industrial policies to aid the long term objectives of the industrial policy. The policymakers should also focus on defining goals and objectives to be carried out at provincial level. This would ensure the collective efforts of all the provinces in a single direction, while utilizing the resources available at their individual ends.
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