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Question:- 7

Pakistan is a semi-industrialized?

Introduction

Pakistan has been an agricultural country initially which evolved into a semi-industrialised economy. The grip agriculture sector had from the start of country's economic process and activities is vital in understanding the contemporary economic activities and challenges.

The problems in agriculture sector heavily impacts the industrial sector. Following are some major issues:-

1) Raw material from agriculture sector:-

The major industries in Pakistan are textile, sugar, cement and automobiles industries. The bigger among these are textile and sugar industries which acquire the raw materials from the agriculture sector.

The cotton and sugar-cane is required in large quantity for these industries. When the

production of agriculture is decreased or lowered, it directly affects the industries. The lower amount/quantity of raw material leads to less production of industrial goods. Trade is lowered because of less exports and trade deficit are created. According to the figures provided by the government, the cotton production increased in year 2023-24 while sugar-cane production decreased. It led to high prices of sugar in the market.

2) **Disrupted exports:-**

Pakistan's exports are dominated by agricultural and agro-industrial goods. When the production of agriculture is disrupted, the exports are lowered due to shortage. The priority is to meet the domestic need and then export the surplus. But in case of shortage of production, there is no surplus to export creating a trade deficit. Trade deficit is created because, the imports of multiple products to meet domestic need is done while the exports

are less creating a imbalance in accounts.

3) **Import dependency of agricultural inputs:-**

Agriculture inputs like fertilizers, seeds etc are imported. Firstly the import is done on a larger scale as we are an agrarian economy. Secondly, our industries also depend on the raw materials from agriculture sector. All of circle of production in both agriculture and industries is disturbed because of the import dependency.

4) **Climate change:-**

Climate change has major impacts on agriculture production, as the rain patterns change and weather is either very hot or very cold, not favoring the crop production. When agricultural production is decreased it automatically halts the excessive industrial production because of shortage of raw materials. According to the data provided by Global Climate Risk Index, Pakistan is the 5th most vulnerable country to climate change. This vulnerability is highly affecting our production

capacity due to severe weather floods etc.

5) High cost of Production

The high cost of Production of agriculture is another problem that hinders expansion of economic activity. The agricultural products have high cost of production and lower selling rates. The raw material like cotton & sugar cane are less priced, while their cost of production is high. This gives farmers less profit to increase production.

6) Government Bail-outs:-

Agriculture sector has low outputs and has been facing several issues, so government provides bail-out packages for it to sustain and regain its strength. Subsidies include subsidy on seeds, fertilizers, water for irrigation etc. All of this is making government suffer loss of billions annually. Firstly, it is a burden on the expenditure of the government. Secondly, the finances are reallocated by government to agriculture by cutting finances from the other sectors. This creates a

gap for other sectors and their development is also hindered. Industrial growth is largely hindered because government does not have enough fundings to back other sector apart from agriculture.

7) Energy Sector:-

The energy sector of Pakistan has been under problems from past few decades, it directly creates hurdles for other sectors. The agriculture sector uses electricity for various purposes including irrigation, equipments, etc. When there is shortage of electricity, the agricultural production is affected thereby affecting industrial sector as well.

8) Policies

The policies are not coherent which affects the agriculture sector. When policies are made on top level without taking into consideration all the stakeholders it is ineffective. It creates a domino effect that makes industrial sector suffer as well.

9) Employment and livelihood:-

Agriculture sector employs around

36.5% of workforce in Pakistan according to provided national data in 2022. This is a vital workforce, and when the level of production in agriculture decreases, this workforce is laid off creating unemployed population. Agriculture sector involves labor-intensive tasks and is often low-waged. People get low wages and could only survive on that with no money to afford luxuries. The unemployment rate goes up with people having lower purchasing powers.

- Conclusion:

To conclude, by the reasons discussed above it is evident that our industrial sector is highly dependent and linked with agriculture sector. Reforms in agriculture sector should be brought to expand our growth on our core sector. SIFC is a brilliant step towards enhancing agriculture sector along with the development of industrial sector.