



Pakistan: Has Premature Deindustrialization been carried out?

巴基斯坦：开始过早的去工业化了吗？

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Industrialization

- Since the 18th century



De-industrialisation

- Developed countries



Premature Deindustrialization

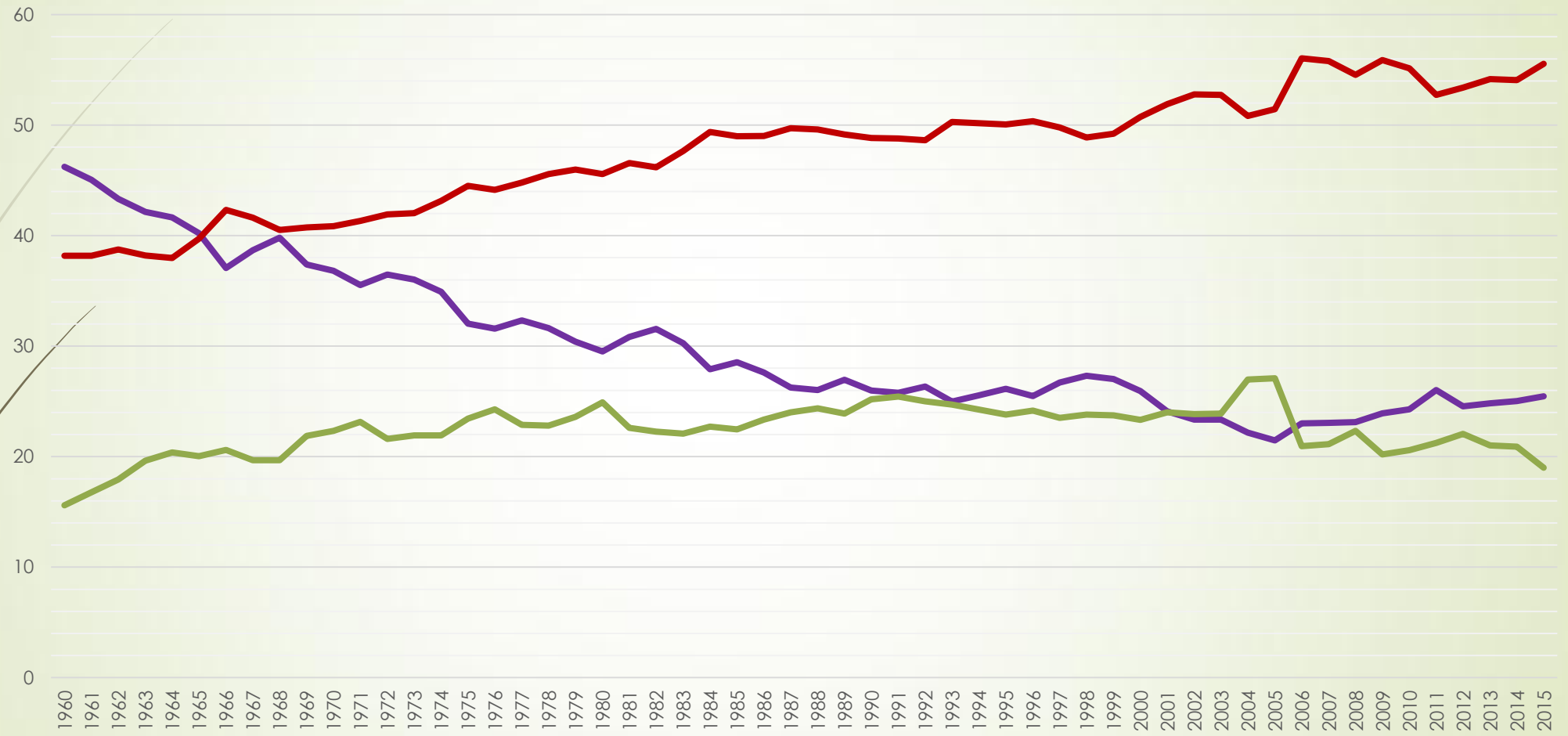
- Developing countries

For the past few years, these tendencies which will be documented more fully in subsequent sections are as follows:

- Evidence of deindustrialization (the fall in the share of manufacturing employment or an absolute fall in such employment) in several developing countries at a much lower level of per capita income than observed historically in today's advanced countries during their period of industrialization.
- The related phenomenon of 'jobless growth' in the formal manufacturing sector both in slow-growing economies (as in Latin America) as well as more surprisingly in fast-growing economies (such as India and Pakistan).
- Evidence that manufacturing may no longer be as steadfast an engine of growth as has been the case in the past. Contrary to widespread past experience, in the last decade or so services have often grown at a faster long-term rate than manufacturing.

Pakistan's industrial structure : 1960-2015

Agricultural Industry Services



Pakistan: Has Premature Deindustrialization been carried out?

Premature Deindustrialization :

What developing countries are experiencing today is appropriately called “premature deindustrialization,” a term that seems to have been first used by Dasgupta and Singh (2006). In most of these countries, manufacturing began to shrink (or is on course for shrinking) at levels of income that are a fraction of those at which the advanced economies started to deindustrialize. These developing countries are turning into service economies without having gone through a proper experience of industrialization.

Manufacturing as the engine of growth: the Kaldorian approach

Kaldor's growth laws

- The growth of the GDP is positively related to the growth of the manufacturing sector.
- The productivity of the manufacturing sector is positively related the growth of the manufacturing sector (this is also known as Verdoorn's Law).
- The productivity of the non-manufacturing sector is positively related to the growth of the manufacturing sector.



Pakistan's Experience



Development and employment situation of each industry

Year	GDP (%)			Employment (%)		
	Agriculture	Industry	Services	Agriculture	Industry	Services
1960	46.2	15.6	38.2	—	—	—
1970	36.8	22.3	40.9	—	—	—
1980	29.6	24.9	45.6	52.8	20.3	26.8
1985	28.5	22.5	49	51.2	20.1	28.7
1990	26	25.2	48.8	51.1	19.9	28.9
1995	26.1	23.8	50.1	46.8	18.5	34.6
2000	26	23.3	50.7	48.4	18	33.5
2005	21.5	27.1	51.4	43	20.3	36.6
2010	24.3	20.6	55.1	45	20.9	34.1
2015	25.5	19	55.5	43.5	22.5	34

Increasing situation in industry

Year	GDP(%)						Employment (%) (%)				
	1996-97	1999-2000	2005-06	2010-11	2014-15	2015-16P	1996-97	1999-2000	2005-06	2010-11	2014-15
B.Industry	23.51	23.33	26.87	21.2	20.3	21.02	18.93	18.03	20.72	21.23	23.21
1. Mining & quarrying	0.52	2.28	3.07	3.0	2.9	2.98	0.10	0.07	0.09	0.15	0.16
2. Manufacturing	15.88	14.68	19.15	13.5	13.3	13.6	11.1	11.48	13.84	13.65	15.33
3. Electricity and gas distribution	3.46	3.92	2.14	2.4	1.7	1.85	0.98	0.70	0.66	0.48	0.41
4. Construction	3.65	2.45	2.51	2.4	2.4	2.58	6.75	5.78	6.13	6.95	7.31

Group wise growth and Point Contribution of LSM

Growth Rate (%)

S.No.	Groups	Output	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16P
1	Textile	20.91	0.7	0.8	0.92	1.45	0.5	0.62
2	Food,Beverages&Tobacco	12.37	14	6.5	7.3	8.24	-1.03	3.66
3	Coke&Petroleum products	5.51	-4.6	-5.7	13.31	7.49	4.73	2.4
4	Pharmaceuticals	3.62	1.3	10.9	16.35	-0.37	6.38	7.21
5	Chemicals	1.72	-2.5	-4.7	-1.08	6.74	5.94	10.01
6	Automobiles	4.61	11.9	-0.8	-11.84	0.35	17.02	23.43
7	Iron&Steel Products	5.39	-10.3	-28.5	13.24	3.38	35.63	-7.48
8	Fertilizers	4.44	-9.2	-0.4	-5.03	21.64	0.95	15.92
9	Electronics	1.96	-14.4	-7.9	-6.43	7.02	8.21	-9.98
10	Leather Products	0.86	17.4	1.8	-2.33	12.7	9.62	12.18
11	Paper&Board	2.31	-2.3	8.4	21.97	9.3	-7.26	-2.9
12	Engineering Products	0.4	-9.5	-10.2	-15.6	-20.15	-10.68	-17.64
13	Rubber Products	0.26	9.2	-24.6	17.61	9.41	-0.56	11.68
14	Non-Metallic Mineral Products	5.36	-9.6	2.9	5.86	0.19	2.56	10.23
15	Wood products	0.59	6.9	7.4	-18.98	-8.91	-78.46	-58.03

Source: Pakistan Bureau of Statistics (PBS)

Increasing situation in service

Services Sector weight and absorb employment situation

年份	GDP(%)						Employment (%)
	1996-97	1999-2000	2005-06	2010-11	2014-15	2015-16P	2014-15
C.Services Sector	49.79	50.74	52.77	57.10	58.9	59.16	29.73
1.Wholesale&Retail Trade	16.04	17.46	17.63	18.84	18.3	18.27	14.64
2.Transport,Storage and Communication	9.79	11.26	12.69	13.15	13.4	13.29	2.6
3.Finance&Insurance	3.61	3.72	5.09	3.01	3.1	3.25	0.59
4.Housing Services (Ownership of Dwellings)	4.33	3.10	2.58	6.74	6.8	6.71	0.38
5.General Government Services	7.69	6.18	5.65	6.24	7.4	7.58	8.64
6.Other Private Services	8.33	9.03	9.13	9.13	9.9	10.06	2.88


Analysis of imports and exports

Structure of Exports							
	Particulars	2012-13	%	2013-14	%	2014-15p	%
	Total	20143.2		20979.1		19921.5	
A	FOOD GROUP	3918	19.45	3942.5	18.79	3862.1	19.39
	Rice	1589.6	7.89	1850.3	8.82	1749.7	8.78
	Sugar	393.1	1.95	247.5	1.18	251.5	1.26
	Fish&Fish Preparation	255.8	1.27	294.1	1.40	287	1.44
	Fruits	340.6	1.69	398	1.90	399.9	2.01
	Vegetables	213.6	1.06	186.7	0.89	196	0.98
	Wheat	53.4	0.27	7	0.03	3	0.02
	Spices	55.1	0.27	45.1	0.21	54	0.27
	Oil Seed,Nuts&Kernels	28	0.14	76.9	0.37	61.5	0.31
	Meat&Meat Preparation	177.6	0.88	191.8	0.91	202.3	1.02
	Other Food items	811.2	4.03	645	3.07	657.2	3.30
B	Textile Manufactures	10739.8	53.32	11420.1	54.44	11281.6	56.63
	Raw Cotton	138.3	0.69	196.1	0.93	144.7	0.73
	Cotton Yarn	1860.5	9.24	1715.8	8.18	1587.1	7.97
	Cotton Cloth	2224	11.04	2345.8	11.18	2088.1	10.48
	Knitwear	1663.6	8.26	1839.2	8.77	1981.9	9.95
	Bedwear	1468.2	7.29	1767.3	8.42	1747.4	8.77
	Towels	645	3.20	629.9	3.00	650.1	3.26
	Readymade Garments	1470.8	7.30	1577.9	7.52	1722.1	8.64
	Made-up articles	480.8	2.39	542.1	2.58	542.6	2.72
	Other Textile Manufactures	788.6	3.91	806	3.84	817.7	4.10
C	Petroleum Group	6.2	0.03	601.3	2.87	538.6	2.70
	Petroleum Products	5.7	0.03	58.6	0.28	302.3	1.52
	Petroleum Top Nephtha	0	0.00	542.7	2.59	236.3	1.19
D	Other Manufactures	4227.6	20.99	3867.3	18.43	3213.1	16.13
	Carpets,Rugs&Mats	96.8	0.48	106.5	0.51	102.6	0.52
	Sports Goods	268.5	1.33	290.4	1.38	271.9	1.36
	Leather Tanned	390.1	1.94	439.3	2.09	407.9	2.05
	Leather Manufactures	463.2	2.30	520.5	2.48	498.2	2.50
	Surgical G.&Med.Inst	252.6	1.25	284.9	1.36	284.1	1.43
	Chemical &Pharma.Pro.	636.3	3.16	968.8	4.62	809.2	4.06
	Engineering Goods	217.8	1.08	255.6	1.22	188.7	0.95
	Jewellery	1142.9	5.67	318.3	1.52	5.8	0.03
	Cement	468.7	2.33	413.7	1.97	382.4	1.92
	Guar&Guar products	119.8	0.59	58.3	0.28	49.9	0.25
	All Other Manufactures	170.9	0.85	210.8	1.00	212.4	1.07
E	All Other items	1251.6	6.21	1147.9	5.47	1026.1	5.15

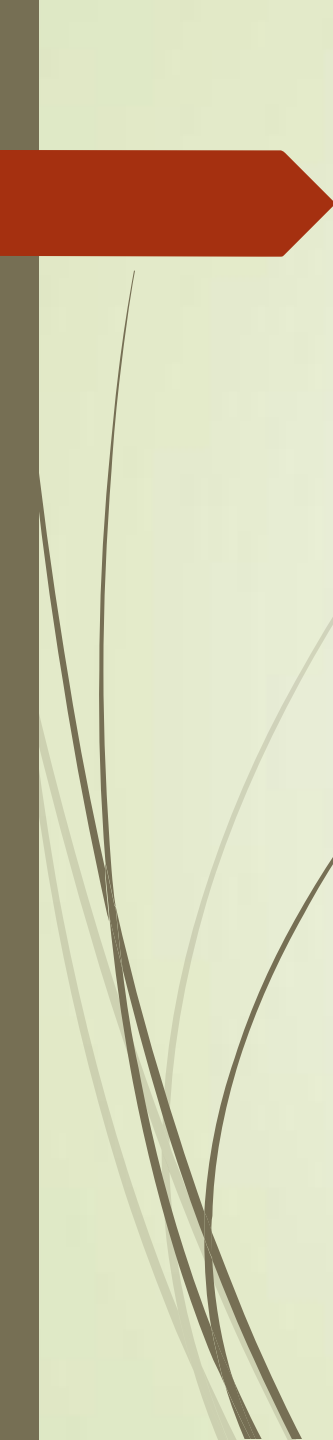
Conclusion and Thinking

The rapid-growing service industry has been the most significant achievement in Pakistan economy development, its transformed to service economy without experiencing the period of industrialization, which is quite different from traditional industry develop mode. However, Pakistan's premature deindustrialization is at a low income level.

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- Industry growth has played a critical role in the development of the advanced countries as well as in almost all developing countries that have succeeded in closing the income gap with the former.
 - Industrial development is insurmountable stage to Pakistan which is quite important into the developed countries.
 - Pakistan should once again adopt a proactive industrial policy to address the constraints and weaknesses of the manufacturing sector.



In sum, while technological progress is no doubt a large part of the story behind employment deindustrialization in the advanced countries, in the developing countries trade and globalization likely played a comparatively bigger role. As developing countries opened up to trade, their manufacturing sectors were hit by a double whammy. Those without a strong comparative advantage in manufacturing became net importers of manufacturing, reversing a long process of import substitution. In addition, developing countries “imported” deindustrialization from the advanced countries, because they became exposed to the relative price trends produced in the advanced economies.



The significant development is the announcement of the China-Pakistan Economic Corridor investment package of about US\$ 46 billion. If implemented even partially, this initiative will have many positive impacts on the economy – boosting economic activity, significantly reducing the crippling power shortages, and changing economic sentiments in and about Pakistan, which could boost both domestic and foreign direct investment in the country. These developments complement each other and could potentially initiate a “virtuous” circle of investment and growth lasting many years.



Thank you!