20. <u>INDUSTRIAL GROWTH</u>
KEY FACTOR FOR ECONOMY

Pakistan's industrial growth has historically lagged and ***suffered sharp contractions due to severe structural bottlenecks***, though Large-Scale Manufacturing (LSM) recently rebounded to about 6.1% in fiscal year 2026 ***after contracting 0.7% in 2025.*** Pakistan also losing textile business to countries like Bangladesh and Vietnam because their factories use better and cheaper systems.

Pakistan's industrial sector shows ***extreme ups and downs instead of steady progress***. <u>*Large-scale manufacturing dropped by 0.7% in fiscal year 2025, but grew by 6.1% in fiscal year 2026 as inflation and interest rates dropped*</u>. ***Factory output had crashed by nearly 7% in fiscal year 2023 because*** the country ran out of foreign exchange and stopped imports.

Foreign investment in Pakistan stays very low. With Pakistan's foreign direct investment (FDI) averaging just 0.6% of GDP in recent years -- far below regional peers like Vietnam -- experts point to high corporate tax rates and HIGH POWER & GAS TARIFFS.

<u>OTHER FACTORS INCLUDE…</u>

- High interest rates made borrowing money very difficult for factory owners. The policy rate peaked up to 22% in recent past; even 11% during these days years is high in competitive markets.

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- **Government Rules & Policies change overnight. No long-term planning is there since 3 decades at least.**
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- Pakistan only invests a paltry ***0.16% of GDP on RESEARCH & DEVELOPMENT***, which means we lose out on cutting-edge products, enhanced productivity, and new market opportunities.
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- **Old Technology:** Many factories use manual or on very old systems. They lack the digital tools needed to match global competitors.
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- ***A critical deficit in formal vocational training, modern technological integration***, **and R & D** keeps overall manufacturing output per worker low.

That's why the cost of doing business in Pakistan is roughly 34% higher than the regional average, rendering local products uncompetitive globally; Industrial studies by *Pakistan Institute of Development Economics (PIDE)* [2023] is referred.

Under the NEW CHARTER, a firm INDUSTRIAL POLICY based on the following points will be announced & promptly implemented:

- The Industrialists, Entrepreneurs, Business Community and the general populace will be encouraged to establish units of their choice anywhere ***BUT NOT WITHIN CITY [MUNICIPAL] LIMITS OF THE COUNTRY***.

- The NEW Projects / Industries will be established as COLONY / CAMPUS; i.e. *the Industrial Unit will also accompany Barracks, multi-story Flats, Schools, Mini-Hospital, Community Centre, Mosque and Officers' residences* etc – as used to be with OLD LYALLPUR COTTON MILLS & KOH E NOOR MILLS Estates.

- ***EXPORT-ORIENTED industries will be preferred***; GOVT will do its best to accommodate them in EXPORT PROCESS ZONES. In Export Process Zones, the above condition of BUILDING CAMPUS will not apply.

- The ENTREPRENEURS or such VENTURE CAPITALISTS ***will be asked / allowed to generate their own ELECTRICITY FOR THEIR PROJECTS*** [*and the 'OTHER DEVELOPMENTS', given above as COLONY / CAMPUS*] by whatever means.

- The residences & other buildings, making the COLONY / CAMPUS livable & tension free, will be supplied FREE POWER & FREE WATER.

- Under this New Charter, the proposed industries will be established WITH THE OWNED MONEY & RESOURCES OF THE ENTREPRENEURS – NO BANK OR FI's LOANS, CREDITS, ADVANCES OR FINANCES will be used. However, **THEY WILL NOT BE ASKED ABOUT 'SOURCES OF INCOME' FOR THAT PROJECT**.

- NO SUBSIDIES, SROs, EXEMPTIONS, GRANTS OR AIDS will be given to the NEW projects

    - **The NEW Projects / Industries which will be established with COLONY / CAMPUS** accompanying Barracks, multi-story Flats, Schools, Mini-Hospital, Community Centre & Mosque etc – **WILL BE GIVEN FIVE YEARS TAX FREE FACILITY** from the day its production will take start.

- The **MACHINERY & EQUIPMENT** needed for such proposed NEW INDUSTRIES will be **IMPORTED TAX FREE** by the Entrepreneurs who will own & run the projects.

More such CLAUSES will be worked out later when the <u>INTERESTS FOR NEW SUCH PROJECTS</u> will be registered with the government.