Industry and Services

Common terms, primary, secondary and tertiary industry, large, small and cottage industries, the formal and informal sectors, location factors, government support, export processing zones, services and tourism.

Understanding common terms

Term	Meaning
raw materials	natural materials used to make things (cotton, wheat, sugar cane, minerals)
refined	a raw material that has been **cleaned or purified** (**sugar**, refined **oil**, **metal**)
processed	**changed** by a process (**flour** from wheat, **yarn** from cotton, **canned fruit**)
manufactured	**made into a finished product** (cloth, clothes, machines, cement)
value-added	the **extra value** created at each stage: manufactured goods are worth **more** than the raw materials (a **shirt** is worth more than the **cotton** in it)
infrastructure	the basic **systems** needed by industry: **roads, railways, ports, power, water, telecommunications**
services	**non-material** help that people pay for: **banking, transport, education, health, trade, tourism**

Primary industry: gets **raw materials from the land or sea** (agriculture, mining, fishing, forestry).
Secondary industry: manufactures and processes them (textiles, cement, steel, food processing).
Tertiary industry: provides **services** (banking, transport, retail, tourism, education, health).

Types of industry by size

Type	Description
Large-scale industry	**factories** with **many workers** and **machinery**, registered with the government (cotton textile mills, cement, sugar, fertiliser, steel)
Small-scale industry	**workshops** with **few workers** and some machinery (such as **sports goods**, **surgical instruments**, **small engineering shops**)
Cottage industry	**made at home** by **family members**, using **simple tools** (carpets, embroidery, pottery, handloom weaving)

(The exact **number of workers** that separates the sizes depends on the definition used; learn the **characteristics**.)

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Main industries: products and markets

Industry	Products	Market	Main locations
cotton textiles	**yarn, cloth, clothing, towels, bed-linen**	**domestic and export** (the largest export)	**Faisalabad**, **Karachi**, **Lahore**, **Multan**
sugar	**sugar**	**domestic**	**Punjab, Sindh and Khyber Pakhtunkhwa** (near the cane areas)
cement	cement	**domestic** (and **export**)	near **limestone** (**Potwar, Kohat, Hub**)
fertiliser	**urea**, DAP	domestic	near **gas fields** (**Mirpur Mathelo, Multan, Daharki**)
iron and steel	steel for **construction** and **industry**	**domestic**	**Karachi** (Pakistan Steel Mills at Pipri)
leather	**hides, shoes, jackets, gloves**	**export** and domestic	**Karachi**, **Sialkot**, **Lahore**, **Kasur**
sports goods	**footballs, hockey sticks, rackets**	**export**	**Sialkot**
surgical instruments	scissors, forceps	**export**	**Sialkot**
carpets	hand-knotted **carpets**	**export**	**Lahore**, **Multan**, **Peshawar**, Karachi
food processing	**flour, ghee, fruit juices, canned goods**	**domestic and export**	all cities

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More on key industries.

- **Sugar mills** must be **near the cane**: cane starts to lose its sugar soon after cutting and is bulky and costly to carry. By-products: **bagasse** (fuel, paper and board, animal feed) and **molasses** (alcohol and chemicals).
- **Fertiliser:** natural gas is the main raw material; the largest plants are in the gas areas (Daharki, Multan, Mirpur Mathelo, Haripur). Nitrogenous fertiliser (urea) is used most because most soils lack nitrogen.
- **Cement:** needs **limestone** and gypsum, gas or coal for fuel, and a big **home market** (construction).
- **Steel: Pakistan Steel Mills** at **Pipri**, near **Port Qasim** (built with **Soviet** help, started in the 1970s), is the main steel plant; the **Heavy Mechanical Complex** at **Taxila** (built with **Chinese** help, late 1970s) makes machinery, boilers and railway equipment.

- **Textiles** are the largest industry, providing a large share of **exports**, jobs and industrial output (more than half of exports).
- **History:** after 1947 private business was slow to invest in heavy industry, so the **Pakistan Industrial Development Corporation (PIDC)** set up factories (textiles, fertiliser, cement, sugar) and later sold many to private owners. The **1960s** saw fast growth in industry.

Factors that influence location and development

- **Capital** (money to build the factory and machinery);
- **site** (**flat land**, **cheap land**, near the market);
- **raw materials** (for example **cotton mills** near cotton-growing areas; **cement** near limestone; **sugar** near cane);
- **power** (**electricity and gas**);
- **water** (textiles, leather and fertiliser need a lot);
- **labour** (a large, skilled and cheap supply, such as in **Faisalabad** and **Sialkot**);
- **communications** (roads, **rail**, **ports** such as Karachi for export, and telecommunications);
- **government policy** (taxes, tax holidays, special zones, and loans);
- **market** and **history** (**Sialkot** has a tradition of metalworking; **Karachi** has the port and a large market).

The formal and informal sectors

	Formal sector	Informal sector
Registered, taxed and regulated?	**yes**	**no** (unregistered)
Workers	**contracts**, regular pay, benefits and rights	**casual**, low pay, **no job security** or benefits
Examples	big **factories**, **banks**, large firms	**street vendors**, **small workshops**, **rickshaw drivers**, **home workers**, **domestic servants**
Contribution	large output and **exports**, pays **tax**	**employs most workers**, supplies many **cheap services**, **fills gaps**

Services of the informal sector: repairs, **transport**, **retail**, **food stalls**, **recycling** (waste collectors), **construction labour**, **domestic work**.

Advantages: it **creates jobs**, provides **cheap goods and services**, needs **little capital**, and trains workers. **Disadvantages: poor pay and conditions**, **no tax** is paid, **lack of safety and rights**, **child labour**, and **low productivity**.

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Importance of both. The **formal sector** brings **large-scale production, exports and tax**; the **informal sector** gives **work to millions** and supports the formal sector with **parts, repairs and services** (and informal **home workers** supply **sports goods and carpets** to formal firms).

Capital, labour and government support

- **Sources of capital: savings**, **bank loans** (the **Industrial Development Bank**), the **stock market**, **foreign investment**, **government funds**, and **remittances** from overseas Pakistanis.
- **Sources of labour:** the **growing population** (many young people), **migration** from rural areas; **skilled labour** is short.
- **How the government promotes industry: tax concessions** and **tax holidays**; **cheap loans**; **import duties** on foreign goods; **infrastructure** (roads, power); **industrial estates** and **export processing zones**; **training** institutions; **setting up state corporations** (such as **Pakistan Steel**).

Support for small and cottage industry. Government bodies such as the **Small Industries Corporations** (in each province) give loans, training, marketing help and cheap premises.

How industry harms the environment and people. Factory waste and sewage pollute **rivers, groundwater and the sea** (harming fish and mangroves); smoke pollutes the **air**; dumping spoils **land**; and **noise** and chemical waste harm health. The cost of cleaning is often ignored by small firms.

Export processing zones and industrial estates

Name	Notes
Karachi Export Processing Zone (**1989**)	first EPZ; **duty-free** imports of raw materials and machinery for export industries
Risalpur, **Gujranwala**, **Sialkot** (EPZs) and **Gwadar** (free zone)	the same idea
SITE (Sindh Industrial Trading Estate, **Karachi**); **Faisalabad**; **Gujranwala** and other **industrial estates**	an area with **ready-made** land, roads, power, water and other services for a group of factories

Why they were developed: to **attract investment**, **create jobs**, **increase exports** and **spread industry**. **Characteristics: security**, **utilities**, **customs facilities** and **tax concessions**.

Services: global communications and tourism

Call centres and global communications

The **internet**, **fibre-optic** links and **mobile phones** allow Pakistan to offer **services to foreign companies** (**call centres**, **software**, **data entry**, **IT**, **freelancing**). **Feasible** because of a **large English-speaking**

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workforce, **low wages** and the **time zone**; but **problems** are **unreliable power**, **slow internet**, **skills shortage** and **security**.

Tourism: natural and cultural attractions

Natural	Cultural and historical
Swat, **Naran–Kaghan**, **Murree** (hill stations), **Hunza**, **Skardu**, **K2** and the **Karakoram** (mountaineering), **Deosai** plains, **Saif-ul-Malook**	**Mohenjo-daro** and **Harappa** (Indus Valley civilisation), **Taxila** (Buddhist), the **Faisal Mosque** (Islamabad), **Lahore Fort and Badshahi Mosque**, **Shalimar Gardens**, **Makli** (Thatta), **Rohtas Fort**, **Kalash valleys** (Chitral)

Feasibility of tourism as a means of development. *Benefits:* **jobs**, **foreign exchange**, support for **local businesses**, more **infrastructure**, and a better **image** of the country. *Problems:* **security concerns**, **poor roads and facilities**, **few hotels** in remote areas, **pollution and damage** to sites, and **climate** (floods). With **investment** and **peace**, it has great potential for **employment**, **GDP** and **GNP**.

> **TRY IT**
>
> Explain why the Sialkot sports goods industry has developed there.

Outline. A **long tradition** of **skilled workers** (metalwork and leather) and a **ready supply of labour**; local **small workshops** and home workers; **export links** (and an **EPZ**, dry port, airport); **entrepreneurs** and **government** support. *Not* near raw materials, so **skills and markets** matter more.

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