

## THE FAILURE OF PAKISTAN STEEL MILLS IN KARACHI: A YEAR-WISE BREAKDOWN: MUNIR DAR

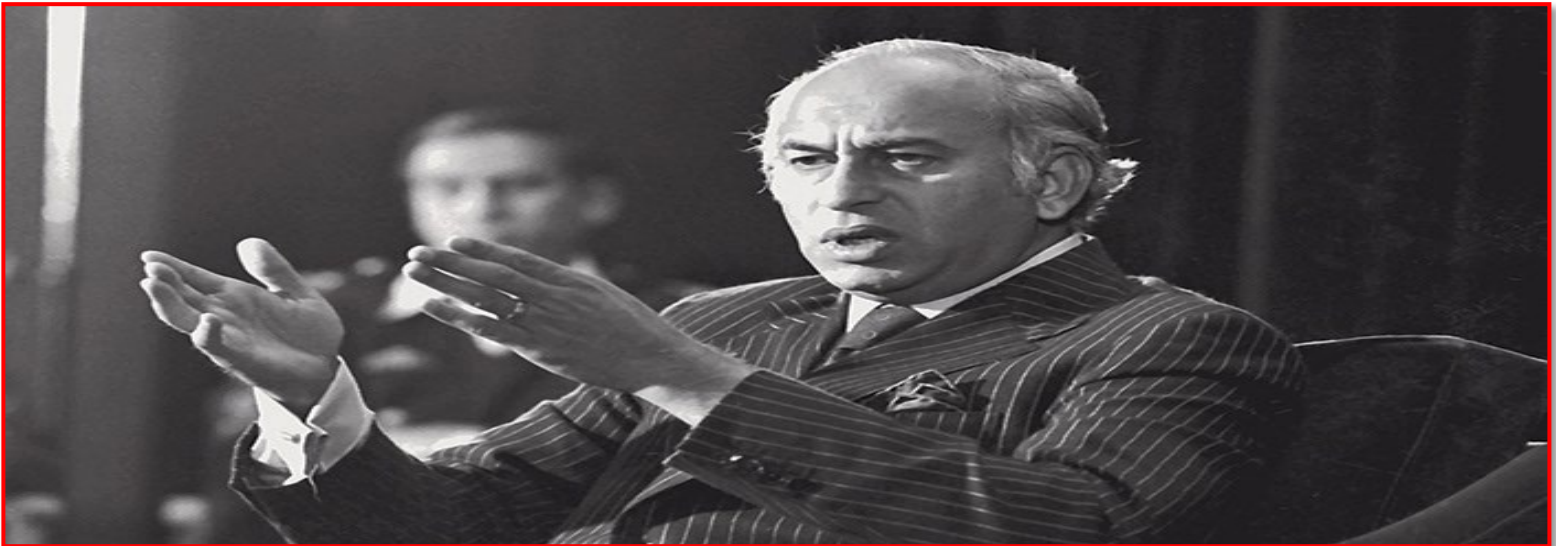


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### **Introduction**

Pakistan Steel Mills (PSM), located in Karachi, is one of the largest industrial complexes in Pakistan. Established in the 1970s with the assistance of the Soviet Union, PSM was envisioned as a cornerstone for Pakistan’s industrial development. Prime Minister Zulfikar Ali Bhutto laid the foundation on December 30, 1973. The plant was designed to produce millions of tons of steel annually and employed over 30,000 workers at its peak. It was officially inaugurated in 1981 and began its operations, marking Pakistan’s entry into the elite club of iron and steel-producing nations.

Despite its initial success, PSM faced numerous challenges, including corruption, mismanagement, and political interference, ultimately leading to its decline. The plant’s production capacity dwindled, and it struggled to compete with international steel producers. In recent years, efforts to privatize PSM were thwarted, and the government decided to permanently shut down the plant in July 2024 due to mounting debts and financial losses.



## 1973: Foundation Laid

- The foundation stone of Pakistan Steel Mills (PSM) was laid during the tenure of Prime Minister Zulfikar Ali Bhutto. The plant was established with the assistance of the Soviet Union and was envisioned as a cornerstone for Pakistan's industrial development.

## 1981: Inauguration

- PSM was officially inaugurated and began its operations. The plant could produce millions of tons of steel annually and employed over 30,000 workers at its peak.

## 2000-2008: Profitable Years

- During this period, PSM remained profitable and contributed significantly to Pakistan's GDP. However, the seeds of future problems were already being sown with issues of overemployment and lack of modernization.



## 2008-2015: Decline Begins

- PSM started incurring losses from 2008 onwards. By 2010, its production output was less than 40% of its capacity. In 2014, the output dropped to a mere 6% of capacity. The financial mismanagement and corruption became more evident during this period.

## 2015: Production Halted

- In June 2015, production at PSM was halted when Sui Southern Gas Company (SSGC) stopped supplying gas due to overdue payments. This marked the beginning of the end for the once-mighty steel mill.

## 2016: Unpaid Salaries

- By 2016, PSM had not paid salaries to its employees for several months. The financial burden on the organization continued to grow, with losses ballooning to PKR 118.7 billion.

## 2020: Government Intervention

- The government decided to lay off 4,500 workers in an attempt to reduce the financial burden. This move was met with political opposition and protests.

## **2024: Permanent Shutdown**

- In July 2024, the federal government decided to permanently shut down PSM after failing to privatize it. The financial burden of the mill's employees and the mounting debts made it unfeasible to continue operations.

**Conclusion** The failure of Pakistan Steel Mills is a stark reminder of the consequences of corruption, mismanagement, and political interference. The plant, which had the potential to drive Pakistan's industrial growth, ultimately became a financial burden. The government must take proactive measures to ensure that such failures are not repeated and that state-owned enterprises are managed efficiently and transparently.

## **ROLE OF INTERNATIONAL SUPERPOWERS IN THE FAILURE OF PAKISTAN STEEL MILLS, KARACHI**

The Pakistan Steel Mills (PSM) in Karachi, established with the assistance of the Soviet Union, faced numerous challenges over the years. While internal factors such as corruption, mismanagement, and political interference played significant roles in its downfall, international superpowers also had an impact on its trajectory.

### **1. Soviet Union's Initial Support and Subsequent Disengagement**

- **1970s:** The Soviet Union provided technical and financial assistance for the establishment of PSM. This collaboration was part of a broader strategy to strengthen ties with Pakistan and counterbalance U.S. influence in the region.
- **1980s:** The Soviet invasion of Afghanistan in 1979 strained relations between Pakistan and the Soviet Union. Pakistan's alignment with the United States during this period led to a cooling of relations with the Soviet Union, which affected ongoing and future projects, including PSM.

### **2. U.S. Influence and Economic Policies**

- **Cold War Era:** During the Cold War, Pakistan's strategic alliance with the United States influenced its economic policies. The U.S. provided military and economic aid to Pakistan, but this often came with conditions that prioritized short-term gains over long-term industrial development.
- **Post-Cold War:** After the Cold War, the U.S. continued to influence Pakistan's economic policies through institutions like the International Monetary Fund (IMF) and the World Bank. These institutions often advocated for privatization and structural adjustments, which impacted state-owned enterprises like PSM.

### **3. Competition from China**

- **2000s:** China's rise as a global economic power introduced new challenges for PSM. The influx of cheap Chinese steel into the Pakistani market made it difficult for PSM to compete. China's advanced technology and efficient production methods further widened the gap.
- **China-Pakistan Economic Corridor (CPEC):** While CPEC brought significant investments into Pakistan, it also increased the import of Chinese steel, further undermining PSM's viability.



