Who Owns Pakistan

By

Shahid-ur-Rahman,

Reproduced by

Sani H. Panhwar

Who Owns Pakistan

By

Shahid-ur-Rahman

Reproduced by

Sani H. Panhwar

CONTENTS

A Brief introduction - For those who do not like the title

How else it should be called when

- A sugar mill set up with tax payers money at an estimated cost of Rs 300 million is sold for a token price of Rupee one,
- The government majority shares in Pakistan's biggest chain of hotels are dished out free to a social climber, by giving him a loan to facilitate the purchase and then writing it off,
- A business shark manages to secure 38 loans totaling Rs 3.5 billion through fake collaterals, escapes when found out and is living happily abroad,
- An unknown entity is granted a loan of Rs 1.18 billion without any collaterals on telephone call from Islamabad and the banker who sanctioned the loan ends up as a federal minister, instead of ending up in prison,
- All five loans worth Rs 500 million of an enterprising businessman heading FPCCI- Committee for Revival of Sick Industrial Units are written off
- Twelve foreign currency loans of an industrial tycoon, amounting to Rs 672 million are converted into a rupee loan and rescheduled so that repayments will start in year 2002 instead of 1990. When the matter is raised in Supreme Court, the tycoon who has expanded his business abroad is granted another loan to repay the rescheduled loan,
- Eighty industrial units including 32 biggest set up by public and private sector in last 50 years are sold for a paltry amount of Rs10 billion. New owners are defaulting in the payments of Rs 4 billion to Privatization Commission and liabilities of privatized units worth tens of billion Rupees in local and foreign currencies are being paid by government of Pakistan i.e. taxpayers
- 1,500 individuals and firms make use of 80 % of total bank credits, Rs 130 billion are stuck up in bad loans and Rs 8.2 billion have been written off. While the public demands recovery of stuck up loans, the government has come out with schemes to reschedule the loans and grant new loans to the same defaulters.
- The common men bear the burden of 100 different taxes prevalent in the country but the super-rich are provided escape routes of exemptions and tax holidays, 180 of them in payment of income tax alone.

If you still question the title, please consider this:

The House of Habib has about 90 units in its fold, Mian Mohammad Mansha is director on boards of 45 companies, Ittefaq controls at least 29 units,

SadaruddinHashwani has 25 companies, Monnoos have 18 textile and sugar mills, Farooq Hassan of Hassan Associates lives in a house insured for 4 million dollars, the house built by Bashir Ahmad of Escort group over 40,000 square feet in Gulberg Lahore has a library custom made in London, Farida Saigol lives in a house sprawled over 68

Kanals of land in a posh locality, Seth Abid has invested Rs 5 billion in real estate in Lahore and his front men control Lahore Stock Exchange, Wedera Ghulam Mohammad Mehr owned 100,000 acres and Ghulam Mustafa Jatoi owns 80,000 acres.

It is these people, their like, Kith and Kin who own Pakistan, for whom the system works. Their true worth is not known even to government. My investigations have revealed that top 44 business groups own assets worth Rs 500 billion or equal to the size of Pakistan's budget. YET THEY PAY MARGINAL INCOME TAX. In several cases no tax at all.

Is the question 'Who owns Pakistan' inappropriate?

Prologue

"I Nawaz Sharif, do solemnly swear that I am a Muslim and believe in the unity and oneness of God.

That I will bear true faith and allegiance to Pakistan.

That as Prime Minister of Pakistan, I will discharge my duties and perform my functions, honestly, to the best of my abilities, faithfully, in accordance with constitution of Islamic Republic of Pakistan and the law and always in the interest of the sovereignty, integrity, solidarity, well being and prosperity of Pakistan.

That I will strive to preserve the Islamic ideology which is the basis of the creation of Pakistan.

That I will not allow my personal interest to influence my official conduct or my official decisions.

That I will preserve, protect and defend the constitution. That in all circumstances.

As Pakistan's first industrialist Prime Minister was repeating the oath of his office read by President Ghulam Ishaq Khan on Nov.6 1990 in the Darbar Hall of the Presidency, my mind was racing back to Dec. 2, 1988 when in the same hall another Prime Minister Benazir Bhutto, was administered the same oath by the same President. Bhutto was dismissed disgracefully in twenty months by president Ishaq on charges of corruption and inefficiency, leading to other elections which brought Nawaz Sharif to power.

A day before taking oath, Benazir met President Ishaq and Army chief Aslam Baig and on return from the meetings told a press conference at the residence of her host, Dr. Niazi, "We are not coming as free agents".

Benazir Bhutto had the grace to accept before the national and international press that her government would be a chained one, not completely independent in all respects. But unlike her Nawaz Sharif is man of few words. It is said that a politician without words is like gun without bullets, useless if not worthless. He was therefore; an interesting political case-study because he has reached the top not by climbing the ladder, rung by rung but as though some supernatural power had positioned him there.

How was it that he reached the second highest political office in country without milling through streets of Pakistan, as expected of a politician? Who were his invisible supporters and mentors? What was his real strength? Was it his economic power or his avowed opposition to Benazir Bhutto?

These were some of the questions in my mind as I watched Nawaz Sharif take oath that day. I am sure similar questions must have crossed minds of others who were watching the ceremony on Pakistan Television.

In his book "A study in the power of money today in USA", Ferdinand Lindberg says that it is in the very nature of power to exert itself and thus it were the owners of wealth who were making or frustrating public politics in the United States. Was Nawaz Sharif also a case of money exerting itself to make or unmark public policies in Pakistan? I asked myself.

It is said that some people are born great, some achieve greatness and some have greatness thrust upon them. The Pakistani politics abounds in people who had greatness thrusted upon them, by establishment or "agencies" which are said to be ruling Pakistan. Was Nawaz Sharif another case of greatness being thrust upon him or was he being thrusted upon the people of Pakistan? I asked.

It were these questions storming my mind as I sat in the Darbar Hall of Presidency that gave birth to the idea of this book. I promised myself to study Nawaz Sharif's style, politics and economic policies. It was not meant to be something personal, an inquiry into the value and assists of a man who had risen to be Prime Minister of Pakistan. It was to be the study of a phenomenon, an inquiry into wealth of the 22 families and the process by which they acquire and accumulate wealth and power.

If Nawaz Sharif was not a case of wealth exerting itself then how to explain the entry and rise of an industrialist in the portals of power?

Technically this study should have taken five years but I had a premonition that if I was planning the study of the tenure of new Prime Minister then I would have far less than the five years of stipulated term. The premonition was strengthened when immediately after the oath taking ceremony, my friend Ghulam Hussain of the Urdu language periodical *"Sayassi Log"* invited me and Anwar Mansuri of German Press Agency DPA to his room in Islamabad Hotel and predicted over a cup of tea that Nawaz Sharif would not last more than a year.

His prediction would have come true but like his opponents, Nawaz Sharif's mentors also underestimated the strength and resilience of their protégé. Many people, including his opponents fail to realize that like Zulfikar Ali Bhutto's legacy, Nawaz Sharif is and will always remain a force to reckon within Pakistani politics, because he was reaction to Bhutto's politics. And according to Newton's third law of force reaction is always equally strong, in the opposite direction.

Nawaz Sharif was not an individual. He symbolizes a state of mind contrary to Z. A. Bhutto and his philosophy and thoughts were born out of ashes of Bhutto's autocratic rule, particularly nationalization policy. Even if, by a magic wand Nawaz Sharif was to disappear from Pakistan's politics, somebody like him would always be there to lead the powerful allied forces opposed to Z. A. Bhutto and his philosophy.

It was on Oct 24, 1990, that I took first small step for the accomplishment of my self-assigned task by writing two letters, one addressed to Prof. Gustave Papanenk of the Boston University and the other to Prof. Lawrence White of the New York University. The two were well-known for their exhaustive study about the 22 families in Pakistan in the pre and post nationalization periods.

In my letters I told them about my intentions to update their work and sought their advice. Papanek responded and among other things suggested that while ranking the 22 families, I should also find out the worth of their unlisted public and private limited companies, since the previous studies were based on the assists held by these groups on Karachi Stock Exchange (KSE). That was a tall order that I have accomplished only partly and hope that some other enterprising and more resourceful journalist would follow it up.

Next I wrote letters to the 22 families, stating that I wanted to write about the pioneers of industrial development in Pakistan and would they care to provide me some literature about their groups and ancestors who had founded them. I got only three responses.

Even my bids to meet Farooq A Shaikh and Sadaruddin Hashwani who reside in the twin cities of Rawalpindi and Islamabad failed. It was only while I was finally brushing my books I managed to meet Shaikh and Hashwani, besides Nasim Saigol and Razak Dawood after hectic chase. Despite telephone calls I failed to meet Mian Mansha who was the one man I wanted most to meet because his Nishat group has emerged as Pakistan's biggest group in my ranking. I decided therefore, at the outset that instead of trying to meet the members and leaders of 22 families, I will talk to people around them, their present and former employees, officials and people in the corporate sector, who might have worked and dealt with them.

I have been reporting economic affairs for nearly thirty years and have covered all the federal budges, except in 1980 when I was abroad. During 1971-77, Pakistan People's Party, government of Z. A. Bhutto, I had rapport with Feroz Qaisar, special assistant to Prime Minister and Rahim Jan, Chairman, Corporate Law Authority (then called Securities and Exchange Authority of Pakistan or SEAP). They were always ready and willing to talk and listen. It was mainly through listening to them that I developed interest in the working of the corporate sector.

Since most of my work as an economic reporter was limited to covering the government policies in Islamabad, my knowledge of the corporate sector and big business was rudimentary. My first job, thus, was to identify companies by groups. It took two years to identify the major groups and their companies. I found out that several of the proverbial rich groups were not rich anymore and had moved abroad, became extinct or grown small through divisions and subdivisions.

Bitten by Bhutto's nationalization and furor over the concentration of wealth, the proverbial 22 families started covering their tracks in the 1970's, arranging their eggs in different baskets, digging-in, dispersing and making it difficult to identify them. However, if there is a will there is a way.

I read thousands of corporate reports of companies listed on Karachi Stock Exchange and company reviews in newspapers. Courtesy Shaikh Ikram ul haq of the Daily, Business Recorder of Karachi, I scanned the newspaper files for the last ten years. I had hardly started arranging the book in my mind when Nawaz Sharif started on the collision course with President Ishaq. Sands of time started running out for his government.

Nawaz Sharif's exit from power came in August 1993 and, unfortunately, for my book. By the time I had not yet started writing the book. It was only in January 1994 that I sat down at my computer and slugged my first chapter, under the file BBR (Bismallah Al Rehman Arahim), an abbreviation borrowed from BBR, Modaraba of the Dawood group. I sat out to identify and rank the super rich in Pakistan, trace their origin, chart their growth and find out how at least some of them became overly riches overnight. But book in the reader's hands is not simply about the wealth of the 22 families or their indictment for accumulating it dubiously.

Z. A. Bhutto demolished monopolies and Nawaz Sharif attempted to reincarnate them. And although what each professed and did was the need of the hour, both became the victims of haste. One nationalized and the other privatized. Nationalization retarded Pakistan's growth in many ways but its worst consequence was the scars inflicted on the psyche of the big business, evergreen even two decades after the nationalization. It alienated the industrialist from the economic mainstream and, as if by a collective decision, several of the original 22 families who pioneered development in Pakistan switched off investment in long gestation projects. The Pakistani businessmen who were planning mega projects in 1971 and are still capable of setting up mega projects resigned to remain spinners, sugar manufacturers or best at best cement manufacturers. The reservation on the part of the people who had the surplus capital and the know-how to lead the country to a take-off stage remained to date the single biggest factor holding up the flowering of country's full economic potential.

A white paper on "Economy under Bhutto", released by Zia ul haq in 1979 had observed that "nationalization of industries by Bhutto was intended to break the economic potential of any possible political opposition. At the same time it (nationalization) placed with the government tremendous power of patronage, resources and employment opportunities which could be used for the support of party in power".

Ironically the same argument was used by Benazir Bhutto and her allies against Nawaz Sharif's privatization. It was stated in speeches and press conferences by the Pakistan People's Party leaders that if Nawaz Sharif was allowed to proceed with plans for privatization, he would bring about such a concentration of power in the hands of a "coterie of business class" that it would be impossible for any political party or organization to defeat him and his friends.

The book in the following pages, thus, is not merely an academic journey into two recent eras of Pakistan's economic history. It is an investigation into the causes of concentration of wealth in few hands, effects of nationalization of key industrial units and two decades later their privatization. Like Charles Dickens "Tales of two cities", Bhutto's nationalization and Nawaz Sharif/ Benazir's privatization promised light but brought darkness, spring of hope that turned out to be winter of despair.

Chapter One

Pakistan's Economic Saga and 22 Families

Pakistan's economic saga, marked today by huge distortions and concentration of wealth and power in few hands can be studied in three phases beginning with post-independence period up to the separation of East Pakistan and Z. A. Bhutto's nationalization (1947-71), the senior Bhutto era (1971-77), and post Bhutto era comprising of Zia ul Haq's status quo and two Nawaz Sharif governments, preceded and followed by two interregnums of Benazir Bhutto.

In the first phase, the emphasis of government policies was on increasing the size of the cake, rather than trying to distribute it equitably among the different segments of the Pakistan. "*Accumulate, accumulate, thy is Prophet, thy is Moses*" was given currency and Pakistan was portrayed as a country on way to become an Asian Tiger. Bank credits and industrial licenses were monopolized by a privileged commercial class and industries set up by government were divested in favour of big industrialists.

The over-emphasis on GNP during Field Marshal Ayub Khan's Decade of Development (1958-68) divided the society into privileged and under privileged and it was the iniquitous economic and regional development of this era which led to the explosive situation of the 1970's culminating in the severance of Pakistan and induction into power of a socialist government of Z. A. Bhutto.

The second phase, (1971-77) under Pakistan People's Party was the era of dismantling monopolies, nationalization, hitting at the power base of industrial barons and clipping their wings while 11 years rule of Zia ul Haq that followed was a period of status quo for the economy. It came to an end in Aug 1988 with the C-130 crash that killed Zia.

During her first term, Benazir Bhutto took a small step towards privatization by setting up a National Disinvestments Authority which identified 14 units for privatization. Otherwise 1988-90 under Benazir was an inconsequential period for Pakistan's economy because in this period she could not come to grips with real economic problem and her interest in economy was only marginal.

Nawaz Sharif's three years (1990-93) saw a tactical retreat to the 1970's by massive concentration of wealth and reincarnation on monopolies, by opening up state sectors to the private sector and privatization of state owned enterprises to big industrial groups. Nationalization was replaced by such a grotesque privatization that world renowned economist Dr. Mahboob ul Haq saw Pakistan ending up in Latin American quagmire.

The first Nawaz government was followed by second Benazir government which essentially continued same policies, only with the greater mismanagement and corruption.
Pakistan's Economy, Muslim Business (22 Families) at Independence

The size of Pakistan's economy in 1947 can be visualized by the fact that her first budget projected revenue of Rs 150 million and government had to borrow Rs 80 million from the Habib Bank to pay salaries to the government employees and meeting other contingencies.

Only 159 companies were incorporated in the area presently comprising Pakistan. The first industrial project launched in independent Pakistan was Dentonic Tooth Powder and inauguration of Pakistan's first bottled drink, Pakola was such a big event that it was performed by the prime minister of Pakistan.

But that does not mean that there was dearth of capital or Muslims lacked entrepreneurial skills since several Muslim families and groups were well entrenched in business and industry. Several entrepreneurs who came to be dubbed as 22 families in the 1970s apparently had considerable economic power at the time Pakistan was born. Just like the Marwaris who joined All India Congress, several of these Muslim businessmen either joined Muslim League or financed the struggle for Pakistan. This was particularly true of Memon business community which presented people like Sir Abdullah Haroon and Sir Dawood Adamjee, as rallying point for Muslim industrialists and businessmen.

The Indian books about the business communities of India have mentioned Sir Adamjee Peerbhoy who made his first millions in late 19th century as a shipbuilder. Sir Dawood Adamjee, the founder of present day Adamjee group had established a commodity trading company in Rangoon, Burma in 1894, followed by a big match factory and rice mills, also in Rangoon and a jute mill at Calcutta in 1937. Sir Dawood Adamjee, thus headed a big industrial set up and export trade of rice and jute which allowed him to play a Birla-like role in Pakistan Muslim League.

Haroons had migrated to Karachi from Gujrat towards the end of last century and made their fortune in second-hand clothing and sugar trading in the beginning of the 20th century, winning the title of Sugar King. The family launched its first industrial project, Moti Sugar Mills in Bihar province in 1940. Haroon House in Karachi was the centre of meetings for Pakistan movement in Sindh.

Ahmad Dawood, another Memon businessman who was to emerge as the uncrowned king of Pakistani businessmen under President Ayub Khan, is reported to set up 26 offices and shops in various cities all over India and was on the verge of setting up a viscose plant as a joint venture with leading Hindu industrialist Nagin Das Phool Chand when Pakistan came into existence and he decided to migrate to Pakistan along " with his Chevy car".

Saigols had set up a Rubber Shoes Factory at Calcutta in 1930 and were planning their first textile mills, also at Calcutta, when Pakistan was born. The machinery was shifted to Pakistan to set up Kohinoor Textile Mills at Faisalabad on personal intervention of the country's founder Quaid-e-Azam Mohammad Ali Jinnah. Nasim Saigol of the Saigol group claimed in an interview with the author that the first Letter of Credit opened with State Bank of Pakistan was for the setting up of Kohinoor Textile Mills at Faisalabad.

Habib and Sons, the principal company of the House of Habib was incorporated in 1920 and was leading in metal business including gold bricks with the "Loin of Ali" embossed on it. An advertisement in daily Dawn of August 15, 1947 boasted that Habib Bank has a paid-up capital of Rs 5 million and deposits of Rs 122 million. Yet it was considered as "the least of several projects the Habibians had developed in India".

Bawanies had set up their first hosiery mill at Rangoon in Burma, in 1931. They were first among the Memons to open a purchase office in the Japanese city of Kobe and contribute in the construction of Japan's first mosque. Ahamd Karim Bawany, founder of the Bawany dynasty, also financed the first Pakistani delegation to United Nation in 1950, under the leadership of Dr Amanullah Khan.

In 1947, Mian Mohammad Ismaeel of the Colony group was operating a chain of 14 ginning factories and four flour mills while work was in progress on Colony Textile Mills which was to become the first textile mill to be commissioned in independent Pakistan.

Hashwanies slated to join the rank of the 22 families in the 1990 had migrated to Karachi from Gujrat in 1885 and were representing Raleigh Brothers, in a joint venture with two Hindu partners who left in 1947, leaving the business to Hussain Hashwani, father of Sadruddin Hashwnani who incorporated Hassan Ali and Company.

The 1970 edition of the Biographical Encyclopedia of Pakistan, 1970 published by international Publisher (Pakistan) Ltd, Lahore included sketches of several Muslim industrialists who were running business in India before Pakistan was born. For example the Encyclopedia describes Abdul Sattar Ahmad son of Seth Ahmad Abdul Karim of Jetpur, as one of the very few families who took to industries before independence. When Pakistan was born, Abdul Sattar and his family migrated to Pakistan "leaving behind vast moveable and immovable property". Sattar himself moved to Dhaka where he set up Sattar Match Factory at Shampur, four miles from Dacca, Karim Jute Mills, Dacca Jute Mills and Karim Commercial Company.

Another remarkable person mentioned in the Encyclopedia is Khan Rahim Baksh Khan who was "the first Muslim industrialist to venture into manufacture of paint industry, by setting up a paint plant in Hyderabad, Deccan, India, in 1933 which was to provide nucleus of five industries in a new industrial township called Rahimabad near Hyderabad Deccan. On migration to Pakistan, he set up a paint manufacturing factory at Karachi in 1949, added two more, one in Karachi and one in East Pakistan. He set up a joint venture in Lebanon, managed by Buxlay Paints, became the biggest exporter of paints from Pakistan in 1970 and was reported to have set up Khan Rahim Paint Research Institute in Karachi. Nothing is known today about Khan Rahim Baksh or his institute.

Amir Sultan Chinoy who died in Karachi on January 21, 1998 was famous for interest in horse racing and the famous Manjri Stud Farms Ltd. After migrating to Pakistan he founded Pak Chemicals Ltd, the first major chemical industry to be established in the country. His father, Sir Sultan Chinoy is reported to have introduced Shell Petrol, Chevrolet cars, wireless telegraphy and broadcasting equipment in India.

Other industrialists of considerable means and repute who streamed to Pakistan at the time of independence included Ahmad Jaffer, Mohammad Ali Rangoonwala, C M Latif of Batala Engineering Company, Dost Mohammad Haji Monnoo and Habib Ahmad Haji (Aragwala) of Batava, Kathiawar, who was running grain and oil seed business in Calcutta with 50 branches all over India.

Syed Maratib Ali was a well known name in the undivided India and his mansion Ashiana in Lahore was counted among the wealthiest houses in the region. Tabanis had set up their offices in Singapore, Japan and London as early as 1916.

A microscopic business community from Chiniot in Central Punjab became a dominant industrial force in the 1990. At the time of creation of Pakistan they were exclusively engaged, with the exception of Colony/Maula Baksh group, in trade of hides and skins.

A few Muslim industrialists stayed back, prospered and flourished in India. For example the Monopoly Commission of India in 1965 identified one House of Amin, as one of the leading industrial groups of India. It was trilateral venture by B D Amin, an agriculturist from Gujrat, with partners T. K. Jaggar and A S Kotibakshkar. The Descondents of the two Hindu partners however, claimed that no group with this name ever existed.

But the names mentioned above were random success stories of Muslims in the Indian Sub-continent. It was the creation of Pakistan in 1947 which gave the opportunity of life time to people who were to grow into the 22 families in the 1960.

"*It was like gold rush of United States*", G. M. Adamjee observed in an interview with the daily Dawn in 1995 while talking about the opportunities created by the creation of Pakistan, as an independent state on the world map.

Majority of 22 the families of the 1970's Pakistan, started as traders and exporters and only 17 of 100 people at the top in industry interviewed by Gustav Papanek in the 1960 reported to have experience in industry prior to 1947. First and Second five years Plans also noted that it were people in the trading who had surplus capital and, therefore, they should diversify in manufacturing and industry. The Korean boom of the early 1950's helped these traders in reaping fortunes and entered manufacturing.

Signals about a massive concentration of wealth started emitting from the economy as early as 1959, when a Credit Inquiry Committee of State Bank of Pakistan, revealed that 222 depositors were making use of 2/3rd of the total credit facilities offered by the banking system. It was around this time that Papanek in his first study established that of the nearly 3,000 individual firms in the country, 24 individuals, firms and companies controlled nearly half of the industrial assets.

But the question of monopolies exploded with full force when in his famous speech, Dr Mahboob ul Haq, Chief Economists, Planning Commission, told a meeting in Karachi that economy of Pakistan had come to be dominated by 22 families who owned 66% of the total industrial assets, 70% of insurance and 80% of banking. His list of the top seven included Saigols, Habib, Dawood, Colony, Adamjee, Crescent and Valika.

Prof Lawrence White who, at that time was working at the USAID office in Pakistan, measured the concentration of wealth on the basis of firms listed on Karachi Stock Exchange and found that 43 families or groups controlled 98% of 197 non-financial companies, accounting for 53% of the total assets. According to White, the top four (Saigols, Dawood, Adamjee and Amin) controlled 20% of total assets, the top ten families controlled one third of the total while the top 30 owned over half of the listed assets.

The concentration of wealth and iniquitous regional development was to become the breeding ground for separatists of East Pakistan and Bhutto's nationalization.

The Saga of 1970s

The separation of East Pakistan, followed by Zulfikar Ali Bhutto's nationalization, broke the back of many among the 22 families, wiping out some of them completely from the corporate map of Pakistan. Sixteen major houses lost heavily in East Pakistan, with Dawood, Adamjee, Isphani, Abass Khaleeli, Bawany and Amin being the major victims.

Dawood lost Karnaphuli Paper Mills, Karnaphuli Rayon, a most modern jute mills, Dawood Shipping and host of trading and warehousing facilities. Adamjee lost six tea gardens in Sylhet and six industrial units including their biggest jute mills in Asia while Jalil, ranked fourth by Lawrence White lost five units and was left with only one unit in West Pakistan.

Bawany lost Latif Bawany Jute Mills, Habib Ahmad Haji (Aragwala) lost ARG Ltd Chittgong and a splinter Monnoo group lost Olympia Textile Mills at Tongi. It must be purely for nostalgic reasons that fifteen years after their return to Pakistan, Monnoos incorporated a company with the same name, now listed on Karachi Stock Exchange.

Atla group lost Honda Motorcycle Plant in East Pakistan "reducing me to pauper overnight and forcing me to shift from a Bunglow to a Flat", group chairman Yusuf Sherazi said in an interview.

Economic history books and researchers have talked only about the impact of East Pakistan debacle on big business while, in fact thousands of small and medium sized businessmen were affected by the separation of East Pakistan.

After the separation, the Bangladesh government nationalized 260 units belonging to non-Bangalis, and with assets exceeding Rs 105 million each while several hundred smaller and medium sized units abandoned by the people of West Pakistan origin were sold to the natives. But, a remarkable feature of nationalization in the newborn state was that the industrial undertakings of Khojas and Bohras were not touched.

“Not all foreign non-Bangali bourgeois’ were affected and state control was not extended to enterprises which belonged to dealers from merchant Muslim class of Khojas and Bohras”, according to Yuri Gangsovak in an article “Social structures in Bangladesh”.

The separation of East Pakistan was preceded by years of social and political unrest during which several leading industrialists, foreseeing the coming events, moved lock stock and barrels to West Pakistan. In less than two decades some of them, like Saphire-Gulistan, Fecto, Monnoos, Chakwal and Rupali were to join the fraternity of the top industrial families.

“My brothers realized many years before 1971 that East Pakistan would one day be independent. From 1968 onwards they had stopped living there (and investing) and had concentrated their investment in West Pakistan”, said Jehangir Monnoo in retrospect in an interview with the weekly, The Friday Times.

Chakwal group moved to West Pakistan from East Pakistan in 1971 and machinery ordered for a proposed textile factory in East Pakistan was delivered to West Pakistan and onward to Chakwal for a spinning factory. This textile mill was to become the nucleus of an empire that now embraces in its fold 14 companies including seven textile mills, a big fibre plant and a cement factory.

Both Pakistan Peoples Party (PPP) of Z. A. Bhutto and Awami League (AL) of Mujeb-ur-Rehman, which emerged as the biggest parties in the 1970 elections in West Pakistan and East Pakistan respectively had promised nationalization. The 20,000 worded manifesto of PPP had clearly declared that “all banks and insurance companies will be nationalized and all major sources of production will be placed in the public sector.

The manifesto specifically referred to the need for the elimination of monopolies and said that “the concentration of wealth (in Pakistan) is so excessive that the benefits of industrialization are being passed on neither to the wage-earners nor even to greater part of the middle class”. It identified Iron and steel, non-ferrous metals, heavy engineering, machine tools, chemicals, shipbuilding, motor assembly and manufacturing equipment for electric power production, distribution and use, electronics, production of arms, ammunition and armaments, cement and paper industry to be placed in the public sector.

However, the transfer of power was delayed because of the procrastination of President General Yahya Khan and the friction between the two main political parties. That gave ample time to the national press and the business community to debate the merits and demerits of nationalization and its consequences.

Nawab Haider Naqvi, in an article published in the daily Dawn of February 2, 1971, forcefully argued against the nationalization of banks on the ground that it would create an administrative nightmare. He rebutted the argument that banks had facilitated the concentration of wealth in few hands and pointed out that the size and composition of credit, flowing from the banking system is determined by the fiscal, investment and commercial policies of the government and it were these policies rather than the banks which promoted concentration of wealth in few hands.

"The important point to note is that the government has stretched every nerve to cause resource flow in industrial sector to trigger growth, while a virtual freeze has been imposed on wages. The industrialists have been drugged with extra strong incentives like accelerated depreciation allowances; we should not nationalize banks for the wrong reasons. The nationalization should be positive one. The economic rationale behind such a move should be clearly spelt out. We should settle for the second best i.e. the banking system in private hands regulated by the State Bank, because nationalization is administratively infeasible", he concluded prophetically.

Private sector, used to pampering by government did not view the threat of nationalization seriously and like an ostrich burying its head in the sand, kept denying the obvious. Advertisements were placed in the newspapers trying to disprove that bulk of the banking and insurance business was controlled by the 22 families. A supplement on insurance business in daily Dawn of February 19, 1971 said that "the advocate of insurance's nationalization believe that insurance is in hands of the 22 families and it was not true". Nothing could have been farther from the truth than this statement, because even today, in 1998, the general insurance business which was not nationalized is in the hands of the 22 families.

It was to pacify growing social unrest and resentment against the big business that General Yahya Khan promulgated the Monopolies and Restrictive Trade Practices, Control and Prevention Ordinance, February 1971, providing for the setting up of Monopoly Control Authority to "take measures against undue concentration of economic power and restrictive trade practices". This was a comprehensive law, clearly spelling out the situation which shall be deemed to constitute under concentration of economic power, monopoly power and unreasonable trade practices.

The explanatory note with the ordinance defined the monopoly situations stating specifically that "creation or maintenance of unreasonable monopoly power in any market has been prohibited". Market was defined to " mean the geographical region i which competition in the production or sale of such goods or provision of services take place.

The law empowered the Monopoly Control Authority to ask the management of a private limited company to go public if its assets exceeded Rs 50 million. Similarly all such dealings were prohibited with an associated undertaking which benefited or were likely to benefit the shareholders of such undertakings, to the prejudice of another associated undertaking.

Acquisitions by one person or undertaking, of the stocks or assets of any other person where the effects are likely creation of a monopoly power were prohibited. The law also prohibited financial institutions and insurance companies from making loans to firms associated with them on terms more favorable to than those to unrelated firms. The law hit at the various methods which have been instrumental in the accumulation of capital in few hands. Ironically the key provisions of this ordinance remained unenforced except during 1972-77, with the result that caretaker government of Moeen Qureshi in 1993 had to reincorporate some of its provisions in another ordinance. This ordinance was also allowed to lapse.

Bhutto's Nationalization

> *You can bring the rich to the level of poor overnight but it takes a lifetime to lift the poor to the level of the rich*
>
> *If the rich are getting richer, this does not necessarily mean that the poor are getting poorer.*
>
> *Two Irish proverbs in a BBC programme on Feb. 17, 1995*

Zulfikar Ali Bhutto took over power on December 21, 1971 and on January 1, 1972 his government promulgated the Nationalization and Economic Reforms Order nationalizing 31 key industrial units, completely wiping out BECO while Saigol, Dawood, Amin and Fancy lost heavily.

In his address to the nation over radio and television, Bhutto said "I had made a pledge to the people of Pakistan to implement industrial reforms. I am now beginning to redeem the pledge". It was indeed only a beginning, and big business was to receive successive jolts during his six years rule.

The Nationalization Order, 1972 provided for the nationalization of industry in Iron and steel sector, basic metals, heavy engineering, heavy electrical, assembly and manufacture of motor vehicles and tractors, heavy and basic chemicals, petrochemicals, cements, public utilities, power generation, transmission and distribution, gas and oil refineries.

Thirty-one industrial units were taken over under the nationalization order but it was alleged subsequently that nationalization was selective, to pick up some and to exclude others in the same fields. General Zia privatized the Ittefaq foundary nearly eight years later on the ground that Ittefaq foundary was nationalized while several others of same size were not. However the industaries whose nationalization was omitted by Bhutto were not mentioned.

Leading industrialists like Ahmad Dawood, Fakhar ud Din Valika and Retd. Gen. Habib Ullah Khattak were imprisoned, names of all leading industrialists were placed on the Exit Control List and they were asked to surrender their passports. Several leading industrialists like Seth Habib Aragwala were "GHARAOED" (Besieged) inside their offices by workers and there were reports that the factory owners and members of their families were insulted and maltreated.

The nationalization order had excluded the private sector from operating in key economic fields and therefore, several industrial licenses were cancelled which included Adamjee Deutez, Shahnawaz Industaries, Fecto tractors, Arusa Industries for manufacturing tractors and Monnoo motors for progressive assembly of Toyota cars. The nationalization order was followed within a fortnight by another order banning the managing agency system under which companies were appointing persons to be sole purchasers for sale or distribution. The managing agency system was one of the medieval systems practiced only on subcontinent which provided the mechanism through which control over industrial sector was concentrated in a few hands. Under the managing agency system, the corporate sector was controlled by a handfull of managing agents who perpetuated their control over the affairs of the companies, without being accountable to the shareholders.

Lawrence White has illustrated how the managing agency system was being used to hoodwink both the shareholders and income tax authorities.

The Steel Corporation of Pakistan was one of listed companies controlled by the Fancy group and it was buying its input for steel making from Pakistan Industries limited, a wholly owned by Fancy subsidiary. The products of Steel Corporation were marketed through a selling agent, steel sales limited, and another Fancy company.

The management of Steel Corporation vested in the hands of managing agents, industrial management limited, and again another Fancy company. Thus through the operations of these companies, Pakistan Steel Corporation could distort the accounts anyway it desired.

M. A. Rangoonwala who was the biggest manufacturer of vegetable ghee (Cooking oil) controlled Libery-American Tank Terminal Company which had the monopoly of importing edible oil.

Bhutto's second bolt of nationalization came on Jan 1, 1974 when he decreed the nationalization of banks, life insurance, shipping and marketing of petroleum products. 13 banks, over a dozen insurance companies, two petroleum companies and 10 shipping companies were nationalized. Finance Minister, Dr. Mobashar Hasan declared at a press conference next day that banks have been nationalized because the wealth of the nation must be used for the benefit of the nation and can not be allowed to be concentrated in the banks of a few individuals.

> *"Banks which till Monday were the private property of a group are now public property. All our big industries in the private sector were set up largely on the basis of financial accommodation provided by the banks and the financial institutions. Because of the previous governments' obsessions with GNP growth, industrial power was concentrated in the hands of few robber barons."* he said.

Bhutto and his cabinet ministers were never apologetic about nationalization and strongly defended it in meetings with the Pakistan Federation of Chamber of Commerce and Industry (FPCCI) and at similar other forums. It was argued by them that the government was committed to end exploitation of labor class to improve their working conditions and break the concentration of wealth.

On April 1, 1973 Bhutto told Lahore Chamber of Commerce and Industry (LCCI) that

> "*Activity of public sector prevents the concentration of economic power in few hands and protects the small and medium entrepreneurs from the clutches of giant enterprises and vested interests*".

Although the PPP manifesto have never considered the possibility of nationalizing cotton, ginning, rice husking and flour mills, on July 1, 1976 government nationalized 2815 cotton, ginning and rice husking units, creating administrative nightmare and wide spread public resentment. The move was justified by the need to eliminate middle men. It was said that the producer as well as consumers of cotton, rice and wheat had been at the mercy of middle men trading in the milling of these commodities, with the result that producers were deprived of due share and consumer got poor quality and adulterated commodities at much higher prices.

Another important step taken by Bhutto to discipline the corporate sector to start work on new company law and test was assigned to Rahim Jan, a Chartered Accountant from Lahore. By the time Z. A. Bhutto was ousted in July 1977 the draft of the company law was ready but Zia appointed a committee headed by Irtaza Husain to study the law which was promulgated only in 1984.

When Bhutto called elections in 1977 he had built a strong and sizeable public sector with priority on cement, steel and fertilizers. It was on account of the great importance attached to the fertilizer sector that Bhutto called upon a private sector entrepreneur, Syed Babar Ali of Packages Ltd. to head National Fertilizer Corporation (NFC). The NFC was a little more than a name when he assumed its control but within a year he launched work on three new plants, i.e. Pak-Arab Fertilizer at Multan, Pak-Saudi Fertilizer at Mirpur Mithelo and Hazara Fertilizer Complex at Haripur in the NWFP. It was also during the same period that work started on Fauji Fertilizer at Got Machi, Rahim Yar Khan in Southern Punjab.

Not a single Fertilizer factory has been set up in post-Bhutto era but the projects launched by his government were enough to meet the requirements for more than a decade. Even today the fertilizer projects sanctioned by Zia continue to face official procrastination because of strong importers lobby. A detailed report about lobbies working against the phosphate fertilizer projects sanctioned during Zia's era appeared in the daily, Business Recorder of Feb 4, 1994.

According to the report, these phosphate fertilizer projects namely Al-Noor Fertilizer, Fauji-Jordan Fertilizer and Pak-Gul were approved in 1983 but failed to make headway for want of protection against dumping. "Should the country become self-sufficient or remain at the mercy of industrial giants was the main question?" the report asked.

During Bhutto's era, work started on the much-cherished Pakistan Steel Mills, the Heavy Foundry and Forge and several cement factories like D G Khan Cement, Kohat Cement, Dandot Cement and Thatta Cement and expansion on Javedan and Mustehkam cement units was undertaken.

Import of tractors in CKD (Completely Knocked Down) condition started in 1973 and I remember Feroz Kaisar, Special Assistant to Prime Minister, proudly showing me photographs of imported tractors being fitted with seats made in Pakistan. It was this small step towards indigenization which has enabled Pakistan today to export tractors which have 90 percent components made in Pakistan.

At the height of agitation against government, Bhutto is reported to have observed that it was not merely Pakistan's nuclear programme but also his bid to make country self-sufficient in fertilizers, steel and cement that turned the Americans against him.

On the eve of 1977 election, the PPP government brought out a comprehensive document called "Promises and Performance". In its preamble Bhutto proudly declared that "this administration is going to run on its records. Previous governments ran away from theirs". The document was a clause by clause statement of what manifesto had promised and what have been achieved. It recalled, for example that PPP government had nationalized on the ground that Credit facilities had been monopolized by owners of the banks for setting up their own industries. While under previous ownership bank branches were limited to urban centers, the nationalized banks were asked to open braches in rural areas. Thus the number of bank branches, including branches abroad rose by 75 percent from 3,295 in December 71 to 5,727 on November 30, 76, covering all towns and villages with a population of 5,000 in accordance with targets set after the nationalization of banks. In fact one of the most radical steps taken by Bhutto government, even before nationalization of banks was the promulgation of Banks Reform Act 1972 which assigned the State Bank of Pakistan the role of increasing the flow of credit to the agricultural sector. Under the act, State Bank was empowered to set target for lending to agriculture, imposing penalties for defaults and ensured a 50 percent subsidy on losses on such lending's. An Agricultural Credit Advisory Committee was set up to assess credit requirements of the sector. Agricultural produce rules were promulgated in 1973 which stipulated that 70% of institutional lending should be for small land holders of 12.5 acres or less, 20% for farmers with holdings between 12.5 and 50 acres and 10% for large farmers.

The Bhutto government's credit allocation policy made it mandatory on banks to divert credit into areas which otherwise would not have received credit under normal commercial banking. The rationing of credit might look unreasonable in 1997 but it was revolutionary, considering the situation in 1977 when banks were serving only industrial clients of a privileged class.

The document "Promises and Performance" also observed that "the nationalization of financial institutions, in effect meant the end of influence over them by industrial groups which had the potential to establish monopolies, in various sectors of economy ".

Moreover it said Monopoly Control Authority (MCA) was keeping a strict watch over the industries to ensure that monopolies do not develop.

Impact of Nationalization on Pakistan's Economic Development

> *"We would have had the likes of Birlas and Tatas but for nationalization."*
>
> *Nasim Saigol, Interview with Business Today, India. March 22-April 6, 1992*
>
> *"Had we gone at the rate of growth during the decade of 1960's, I reckon we would have definitely been an Asian tiger by now"*
>
> *Abdul Hameed. M. Dadabhoy, Interview with Daily Dawn September 9, 1995.*

Bhutto's nationalization broke some of the 22 families financially but several of them were also broken in body and spirit, with the result that they disposed off industries that escaped nationalization or self-imposed a moratorium on new projects. Farooq A Shaikh of Colony group, one of the major affectees of nationalization remarked in an interview with author that top Pakistani industrialists not just lost industrial units to Bhutto's nationalization policy; they lost the urge to invest in Pakistan.

"We concluded regretfully that it was a bad judgment on the part of our group to have remained exclusively confined to Pakistan. It was like putting all the eggs in one basket", he said while noting that several industrialists particularly those from Karachi had resorted to flight of capital, ahead of Bhutto's nationalization and were able to comfortably live out the Bhutto era in Europe or United States on business ventures set up there.

Karachi based business communities of Memons, Khojas and Bhoras had led the first wave of industrial development in Pakistan but it were they who suffered most in the separation of East Pakistan and Bhutto's nationalization. These business communities had been seasoned by persecutions of different types in their abodes in India and elsewhere, particularly, Burma, and therefore, they responded in the only way that was expected in such a situation, i.e. switch over investment and move abroad. It is not surprising that several leading industrial families of the 1970 era have not set up a single big industrial project in 25 years since nationalization.

Earlier in this chapter, we have listed some projects abandoned by the big business, half or three quarters complete because nationalization order excluded private sector from operating in certain industrial fields. These projects mainly related to manufacture of tractors, automobiles and fertilizers which were capital intensive and employment generating. The sponsors of these gigantic projects resigned themselves in the post-Bhutto era to become traders or at best spinner of yarn and processor of sugarcane.

The sweep of nationalization, its impact on the psyche of the big business and thus on Pakistan's industrial development can not be comprehended without taking a look at the taken-over industries, companies and their ownership.

In six traumatic years of Z. A. Bhutto, 31 key industrial units, 13 banks, over a dozen insurance companies, 10 shipping companies and two petroleum companies were nationalized, out of which at least 22 industrial units, 9 banks, 9 insurance companies, 3 shipping companies and 2 petroleum companies belonged to the 22 families. Nasim Saigol claimed in the interview with the author that Saigols lost 70% of their assets in Bhutto's nationalization.

Following is the list of industries and companies nationalized by Bhutto and the groups owning them.

31 Key Industries Nationalized in 1972

Units taken over in Karachi

1	Steel Corporation of Pakistan	Fancy
2	Hyeson's Steel	Hyesons
3	Ali Automobiles	Jaffer Bros
4	Kandawala Industries	
5	ROK Industries	
6	Haroon Industries	Haroon
7	Wazir Ali Industries	Packages
8	Gandhara Industries	Bibojee
9	Indus Chemical and Industries	
10	Valika Cement	Valika
11	Karachi Gas	Fancy
12	Valika Chemicals	Valika
13	Karachi Electric	Fancy-Jaffer Bros
14	National Refinery	
15	Pakistan Fertilizer Corporation	Jaffer Bros

Units taken over in Punjab and NWFP

1	BECO	C.M.Latif
2	M.K.Foundary	
3	Ittefaq Foundry	Ittefaq
4	Rana Tractors	
5	United Chemicals	Saigol
6	Pakistan Cement	Saigol
7	Ismaeel Cement	Colony
8	Central Iron and Steel Works	
9	Valika Steel Works	Valika
10	Jaffer Steel Corporation	Jaffer Bros
11	Pakistan Progressiv Cement Wah	Colony
12	Pakistan progressive Cement Dandot	Colony
13	Rawal Pindi Electrics	
14	Modern Steel Muredke	
15	Multan Electric Supply	Colony
16	Karim Industries Nowshehra	Nishat

Nationalized Banks and their ownership

1	Habib Bank Ltd.	Habib
2	United Bank Ltd	Saigol
3	Muslim Commercial Bank	Adamjee
4	Australasia Bank	Colony
5	Premier Bank	Arag
6	Habib Bank Overseas	Habib
7	Commerce Bank Ltd	Fancy
8	Memon Cooperative Bank	Dawood
9	Lahore Commercial Bank	Dawood
10	Punjab Cooperative Bank	Dawood
11	Pakistan Bank Ltd	Dawood
12	Bank of Bahawal Pur	Dawood
13	Standards Bank	

Insurance companies of 22 families that were nationalized

1	Eastern Federal Union (EFU)	Arag
2	United Insurance	Valika
3	New Jubilee	Fancy
4	Adamjee Insurance	Adamjee
5	Habib Isurance	Habib
6	Premier	Crescent
7	Central	Dawood
8	IGI	Packages
9	Union	Nishat

Nationalized Shipping Companies

1	Pan Islamic Shipping	Arag Industries
2	United Oriental Shipping	Arag Industries
3	Trans Ocean Shipping	
4	Mohammadi Shipping	Arag Industries
5	Pakistan Shipping	
6	East and West Shipping	
7	Gulf Steam Shipping	
8	Chittgong Shipping	
9	Crescent Shipping	Crescent

According to Ahmad Dawood's biography by Usman Baltiwala, Dawood also lost 25 Shipping vessels but the name of Dawood group Shipping Company does not appear in the list of Nationalized shipping companies as published by newspapers. Dawood also lost two oil companies namely Dawood Petroleum and Pakistan National oil, under Marketing of Petroleum Products Ordinance, 1974.

How nationalization retorted Pakistan's economic growth can also be illustrated by the simple fact that in 1974 Pakistan had inherited three aging vessels but their number increased to 75 when Bhutto nationalized the nine shipping companies and merged them into Pakistan National Shipping Corporation (PNSC). But in 1992 when Sharif government finally licensed private shipping companies, the number of vessels with PNSC had come down to 25 only.

Several leading figures like Rangoonwala, Haroon, Dawood, Jaffer, Saigols simply left Pakistan, some of them for good. Others were to return only to indulge in trading. Still others with the degree of ostentatious courage who stayed back till Bhutto's day of reckoning, like Gul Ahmad, Fateh, Adamjee, Bawani, Dadabhoys and Dadas did not set up a single industrial project of consequences in next 25 years. When I asked Razak Dawood during an interview if he can identify a few big industrial units set up by the Memons after 1971, the only unit that came to his mind was Gatron Industries.

Ahmad Dawood was imprisoned and put on the Exit Control List. It was only in 1974 that he managed to go abroad, not to return till the overthrow of Z. A. Bhutto by Gen. Zia in 1977. While in USA Ahmand Dawood set up an oil exploration company which is reported to have carried out explorations at six wells “All of which prove to be oil bearing”.

Sadiq Dawood migrated to Canada where he set up chain of departmental stores but returned in 1980 to launch BBR Madaraba with an initial capital of Rs 5 million. The BBR group today comprises five listed companies with an asset base of Rs 2 billion, but except for one, all the group companies are active in the services sector. TransPak, the only manufacturing company set up during this period by the members of Dawood family produces toothpaste and combines a packing concern.

Jaffer family business headed by Ahmad Ebrahim comprises at least ten companies including Ahmad Jaffer and company, Jaffer Sons, International Travels Ltd, Pakistan Garage Ltd and Karachi Electric Supply Corporation. A car assembly plant and an under construction fertilizer factory at Hawks Bay was nationalized. Presently the group is active only in trading and does not have a single company listed on Karachi Stock Exchange.

In the wake of nationalization the Fancy group members sold of remaining assets like Kotri Textile Mills, New Jubilee Insurance and interests in Pakistan Industrial Credit & Investment Corporation (PICIC) to Sadaruddin Hishwani. The solitary project set up by Fancies in last two decades is a biscuit factory.

Valika Steel was a big nationalized unit which underwent major expansion during Bhutto’s six years when its name was changed to Special Steel. It came close to bankruptcy and was marked for privatization when it was taken over by Kahuta Research Laboratory of Dr. A. Q. Khan. It is today the nucleus of key defence related projects in Pakistan.

Harron’s had at least 25 companies in their group including Pakistan Services Ltd., Pakistan Herlod Ltd, Haroon Industries Ltd, Haroon Sons Ltd and Herbertson (Pakistan) Ltd. Today their interests in Pakistan are limited to Haroon Oils and Herold Publications while Yousaf Haroon has a diversified industrial network in the United States.

Born in Rangoon, M. A. Rangoonwala had migrated to Bombay in 1933 and had entrenched himself in business by the time Pakistan came into being as an independence state. In 1947 he migrated to Pakistan and by 1971 he was represented on the board of 45 companies, of rich 25 belonged to his own Rangoonwala-Bengali group. When nationalization uprooted him for the third time he migrated to Malaysia. Since he majored in edible oil industry, many people in this industry see him behind Pakistan's emergence as the single biggest importer of palm oil from Malaysia.

Like Rangoonwala, C.M. Latif was a towering personality of Pakistan industry, both in physique and achievement. He had setup Batala Engineering Company (BECO) in Batala , East Punjab, India in 1933 and in less than a decade it came to be ranked as one of the India's top three machine tool companies. It is said that half of the Wagner equipment that was obtained by the British India, as war reparation from Germany, after the Second World War was allocated to BECO. In 1947, C.M. Latif migrated to Pakistan and set up his company with the same name in Badami Bagh area in Lahore. By the time it was nationalized in 1971, it had become one of the biggest engineering complexes in Pakistan which was on the threshold of launching the domestic manufacturing of textile machinery, in collaboration with Toyota Corporation of Japan. In 1995 when Privatization Commission decided to dispose off BECO, (now Pakistan Engineering Company, PECO), it had incurred losses of Rs. 365 million and the government was still toying with the idea of indigenous manufacture of textile machinery in Pakistan.

Between 1977-95, C. M. Latif had waged a one man crusade for the return of his unit which is currently being sold by the Privatization Commission in several lots of real estate. In an advertisement in the daily Business Recorder of February 1, 1991 C. M. Latif demanded return of BECO to former owners and reminisced about his factory in the following poem, entitled (Food for thought).

You must learn to hate violence, love non-violence,
You must learn to fight evil, without doing evil.
You cannot banish darkness with darkness.
You cannot fight hate with hate, but only with love.

Wishing Batala Engineering ,
C. M. Latif, Former Chairman & Managing Director

A man gifted by God to launch projects of national importance was reduced to writing incoherent poetry. What a waste of great national asset!

Division in 22 Families, a Post-Bhutto Strategy to Appear Small

It is said that process of wear and tear through division and family split in the big industrial conglomerates usually takes three generations, but in Pakistan it was advanced by several decades because of Bhutto's nationalization. It was, therefore, bit of a truth when Nasim Saigol bemoaned that, but for Bhutto's nationalization Pakistan would have had its share of Birlas and Tatas and joined the ranks of Asian Tigers. The 22 families of Pakistan were like the bird whose wings were clipped before take off on the first flight. But it is a great tribute to some of them like falcons braving high winds, their scions have risen again to great heights.

Almost all the big business groups of the 1970s had started in 1947 as family joint ventures and almost each of them that survived separation of East Pakistan and nationalization stands divided today, with the exception of Crescent group of Industries.

Saigol group was owned jointly by three of four sons of founder Amin Saigol, namely Yusuf, Bashir and Sayed Saigol while the fourth son Gul Saigol had stayed back in India in 1947. Saigol dynasty split in the 1976 among 16 male off springs and is currently operating in four distinct groups namely Saigol group headed by Nasim Saigol, Mohib group of Rafiq Saigol, Kohinoor group of Tariq Sayed Saigol and a small Iqbal Saigol group.

Present-day Adamjee dynasty was founded by Sir Adamjee Haji Dawood and his three sons, Abdul Wahid Adamjee, Abdul Hamid Adamjee and G M Adamjee. In the wake of nationalization, the assets of group were divided among six inheritors which have been further sub-divided over the years.

Dawood group was split among Ahmad Dawood and his brothers Suleman Dawood and Sidiq Dawood operating in Dawood, Descon, and BBR group respectively. A relatively unknown Ghani group comprising the in-laws of Ahmad Dawood was also carved out of the main groups.

Bawany's assets were divided among seven sons of Ahmad Bawany and over the years its assets have come to be sub-divided. A splinter from Bawany is known as the Al-noor group.

Gul Ahmad was a joint venture of seven brothers and cousins who are now split in Gul Ahmad group headed by Haji Ali Mohammad Pakolawala and Al-Karam owning at least ten textile mills.

Crescent was a joint venture of four sons of Shams Din, namely Mohammad Amin, Mohammad Bashir, Mohammad Shafi, Fazal Karim and their two cousins. It is only group that has remained united through thick and thin during last 50 years.

The Colony group founded by Mohammad Ismaeel has been divided in three groups headed by Farooq A Shaikh, Naseer A Shaikh and Mughis A Shaikh.

K M Bashir, born n 1910 at Bellary India, had founded the business of Hyesons, after the name of his father Abdul Hayee Khan and was engaged in the import of steel and manufacture of iron and steel pipes for gas and motor supplies, electric lamps and several mining concessions. According to the list of defaulters released by Benazir Bhutto government, Hyesons was fifth biggest defaulter of RS one billion and has become almost extinct in Pakistan.

Valibhai of Bombay was the founder of the dynasty that came to be known as Valika. He had four sons, Fakhruddin Valibhai, Najjamuddin Valibhai, Saifuddin Valibhai and

Nooruddin Valibhai. The group is operating two archaic textile mills in Karachi and its main fmaily members are known to have moved abroad.

Habib group was founded by Seth Ismaeel Habib who had died in1931 and the business passed to hands of his four sons, Mohammad Ali Habib, Ahmad Habib, Dawood Habib and Ghulam Ali Habib who shifted to Karachi when Pakistan into existence. After nationalization the members of Habib family also split and are now operating in to two distinct groups headed by Rafiq Habib and children of late Rashid D Habib but Habib Bank A G Zurich is a joint venture of all the Habibians.

Nishat was a joint venture of Mian Mohammad Yahya and his three brothers but after the divisions of assets in 1970 it is owned by Mian Mansha while the three other brothers and their off-springs seem to have disappeared in thin air.

The House of Ittefaq of Prime Minister Nawaz Sharif was a joint venture of seven brothers. But 119 offspring of founding fathers and their spouses are battling in a court in Lahore for division of the assets. The members of House of Ittefaq are now operating in three distinct groups namely Ittefaq group, Sharif group and Habib Waqas group of Industries.

The Fecto best illustrates how the psyche of big business, particularly of Memons and Karachi-based business communities was affected by the nationalization and seperation of East Pakistan.

The Fecto group was founded by Ghulam Mohammad M Adamjee of Jetpur, Kathiawar, India, with the humble beginning as a foot wear merchant at Bombay. In 1951 he established Mohammadi Oil Mills at Chittagong and Eastern Textile, East Pakistan's first art silk mills. He also signed an agreement with Japanese company for Pakistan's first project to asseble radio and transistors. By 1970 he was managing director Fecto Limited, Fecto-Yamagen Electronics, Dacca Radio Electronics, Fecto Agencies Limited, Fecto Industries Limited and Chaudri Overseas Fishing Limited. Fecto was distributor of radio, television, electronic appliances, agricultural implements, fertilizers, pig iron, automobiles and their parts.

Fecto was working on a project to manufacture tractors and a nylon factory in 1971 when it shifted its head office from East Pakistan to Karachi and acquired Adamjee Sugar Mills. However, in West Pakistan, the group dropped the name Adamjee and Ghulam Mohammad M Adamjee is now known as Ghulam Mohammad M Fecto.

Nationalization stunted Pakistan's economic growth in many ways but it was destined, by fault rather than by design, to contribute to the meteoric rise of Chanioti business community in Pakistan, particularly in Punjab. Farooq A Shaikh of Colony talked in detail how nationalization opened new opportunities for Punjab-based groups particularly Chiniotis to venture into areas, previously forbidden for them because of the monopoly of the Memons. (See rise of Chiniotis)

Privatization - Turning the Clock Back

“A government too soft on big business, is bad for economy, as a government too harsh on big business”

A Scottish Proverb

Privatization was advocated as the magic cure for Pakistan’s economic woes by both Nawaz Sharif, the spiritual heir to military dictator Zia ul Haq and Benazir Bhutto, wearing the political mantle of her socialist father whom she and her party now call Shaheed (martyred) Bhutto. Both championed privatization on the plea that public sector enterprises being inefficient and corrupt were a drain on government resources and their sale help bridge the budget deficit, by curtailing the government expenditure and by using the proceeds of privatization for retiring public debt.

First Nawaz government in 1990 argued that “in economic terms, government has suffered a cumulative loss of Rs 27.8 billion on the operations of corporations under the Ministry of Production and resultantly, the inefficiency of public sector has deprived the national exchequer of large amounts of funds which would have contributed to the social sectors and industrial growth.”

“The government believes that one of principal benefits to the nation from privatization of its public assets is by the way of reduction of our debt burden. The burden of domestic and international debt can be reduced from the sale of those very assets for which the debt was created” the second Benazir government in 1993 argued.

Privatization took-off earnestly in Pakistan on January 11, 1991 with the sale of Muslim Commercial Bank and seven years down the road, 90 units, including three financial institutions and a power plant had been disposed off. In addition 12 percent shares of Pakistan Telecommunication Corporation, 10 percent shares of Sui Northern Gas Pipeline (SGNPL) and 10 percent shares of PIA have been divested.

Nawaz Sharif had marked 115 units for privatization in 1991 and thus more than 90 percent of the assets so slated originally have been sold-off, without making the slightest dent in the foreign debt and budget deficit or achieving the stated objectives of privatization. Yet officials and government leaders continue to hammer the point that the accumulated debt and budget deficit could be decreased through accelerated privatization.

How to Change a Lemon into an Orange

Privatization in Pakistan is classic example of corrupt politicians and ever-corrupt bureaucrats working in concert to turn a lemon into an orange. This is how they did it.

A commission headed by N. M. Uqaili, chairman PICIC and constituted by Zia ul Haq to study the state of the State enterprises recommended in 1984 that “it should be the declared policy of the government to denationalize sick units.” Immediately after coming into power in 1988, Benazir government engaged Rothschild and Sons to prepare a privatization plan who recommended widespread Thatchian-style privatization through stock exchange and identified 14 units for privatization in two phases. Bhutto also employed consortium of Morgan Grenfell and Sidat Hyder to prepare plan for the privatization of Sui Southern Gas Company and Messers Fergusen for Muslim Commercial Bank. However her government could only privatize ten percent shares of PIA before it was dismissed by President Ishaq on August 6, 1990.

Thus when Nawaz Sharif came into power in Oct 90, he inherited considerable spade work and infrastructure to launch privatization in an orderly manner. But he did his own game plan for privatization. A Disinvestment and Deregulation Committee, set up by his government in Nov 90 recommended that “the government should completely retire from the production of industrial goods” and identified 105 industrial units for immediate privatization.

On Jan 22, 1991, the government constituted a privatization commission whose terms of reference include “total or partial privatization of public sector industries and enterprises and ensure widest possible participation, to review and recommend measures for revival and rehabilitation of those industries which were close and shut down under the administrative control of the nationalized commercial banks.” The commission identified 115 units for privatization. By Oct 1993 when Nawaz government was booted out of power, the privatization commission had privatized 68 units including two banks.

The second Bhutto government expanded the list of units marked for privatization. A major addition was Oil and Gas Development Corporation (OGDC) for which Hong Kong and Shanghai Bank was appointed financial Advisor but plan for this privatization did not materialized because of the objections raised by Farooq A Leghari, then President of Pakistan. When Bhutto was dismissed in Nov 96, a total of 84 industrial units and three financial institutions had been sold, with only 24 units from the original 1991 list left on the Privatization Commission’s platter.

On September 16, 1997, Khawaja Asif; Chairman Privatization Commission told the National Assembly Standing Committee for Finance that the number of units slated for the privatization now stands at 70. However, it transpired during the 2-day Privatization Conference in Islamabad on March 30-31 that the list of units marked for privatization was swelling everyday because more and more units were being identified for privatization.

> *“The government has a declared policy of divesting as much of its enterprises as practical, and is confining the ownership and management to those assets only, which are either strategically important, or which the private sector is unable to own or manage,”* Zafar Ali Khan, Secretary, Privatization Commission declared at the conference.

The major units marked for privatization by second Nawaz government include Pakistan Railways, WAPDA, KESC, Pakistan Telecommunication Corporation, Sui Northern Gas Pipeline, Sui Southern Gas Company, OGDC, recently acquired Pakistan Petroleum Ltd, Saindac Copper Project, Pak-Saudi Fertilizer, Pak-Arab Fertilizer, Heavy Electrical Complex, Heavy Mechanical Complex, Pakistan Steel, National Shipping Corporation, National Tanker Company, Habib Bank Ltd. United Bank, National Bank, National Development Finance Corporation (NDFC), Industrial Development Bank of Pakistan, National Investment Trust, Investment Corporation Of Pakistan, Karachi Shipyard and Engineering Works, Convention Centre Islamabad, landside of PIA, facilities at 40 airports and two major ports, Karachi Water and Sewerage Board and WASA Lahore. Several of these projects were never considered for privatization in past.

According to PTV, a special cabinet meeting on March 2, 1998 decided that the state land owned by Federal Government, four provincial governments and all the government departments will be disposed off to generate cash for the cash-starved government. Prime real estate of PTDC, GTS and federal lodges in Murree have already been sold. Chamba House in Lahore which has been providing residence to federal employees in Lahore is next to be auctioned.

Provincial governments of Punjab, Sind and NWFP have set up their own privatization commissions and announce their own privatization plans.

“Golden opportunity for sound investment” proclaimed advertisements by Sind Privatization Commission in the National Newspapers in the last week of March 1998 while announcing the auction of “most valuable lands” comprising industrial, commercial, residential, flat sites, agricultural in and around Karachi, Hyderabad, Thatta, and Badin. Other units and property for which interested parties were advised to contact Chairman, Privatization Committee included two evacuee cinema houses in Hyderabad, Milk Plant near civic centre (37 acres), livestock form near air port, Korangi livestock form (300 acres), Tando Mohammad Khan livestock form, Kundi form near Rohari, KTS depots, 34 self propelling combined harvesters.

All units of Punjab Industrial Development Board (PITB) and Sarhad Development Authority are being sold. A separate desk is being set up in Privatization Commission for coordination and assistance to Provincial Privatization Authorities. The daily Jang, Rawalpindi of April 6 reported that assets being auctioned by the provincial governments included 212 rest houses in NWFP alone.

Major General (R) Hidayat Ullah Niazi, Chairman, Natioanal Highway Authority told the March 30, 1998 privatization conference that “the government of Pakistan, acting through NHA has fielded 11 road projects relating to Motorway for privatization. The Lahore Islamabad Motorway has already been advertised for operation concessions there are also a number of bridges on river Indus, Chinab and Ravi which are planned for privatization.”

Khawaja Mohammad Asif told the March 98 privatization conference that privatization is expected to yield 9-10 billion dollars, as against less than 1.5 billion dollars (RS 20 billions) in local currency and 1.2 billion US $ netted by the privatization to-date. Former Finance Minister Dr. Mahboob ul Haq, on the other hand has estimated that privatization could yield upto 80 to 100 billion dollars. Others including veteran journalist Sultan Ahmad (Privatization without Illusions, daily DAWN, April 2, 1998) however believes that Khawaja Mohammad Asif, Dr. Mahboob ul Haq, the press and the people might be shocked to see mega projects going at too low prices, because of their liabilities and bad debt. There are others who are ready to bet their life savings on what Sultan is saying.

Consider for example the following facts about the major companies to be privatized.

1. Pakistan Telecommunication Corporation. Pakistan Telecom has been on the priority list of privatization since 91 when a committee headed by Deputy Chairman, Planning Commission was setup to recommend methods of its privatization. Since 91 four Financial Advisors have been appointed by Privatization Commission to help in it's privatization, starting with Bear Stern in 1991, followed by jardine Fleming in 1993, Morgan Grenfill in 1995 and Goldman Sach in 98 who is to be paid 20 million dollars.

"I am willing to put my life savings on the line to say that the new financial adviser will also come out and tell us in a few months that PTC can not be privatized" , writer of an article , The exercise in futility, the PTCL privatization, in daily The News of 13 April 98 predicted. The writer had many reasons for his assertions like the fact that PTC has already mortgaged next few years' foreign exchange earnings under 250 million securitization loan, the monopoly of the company is to end in year 2002, under licensing agreements signed with cellular companies and several other telecom companies in the region was also awaiting privatization.

2. WAPDA. In 1990 Prime Minister Nawaz Sharif was in such a hurry to privatize Wapda that he refused to accept a World Bank loan to finance the study of privatization of Wapda and awarded it, out of government of Pakistan funds to

Independent Resource Group (IRG) of United States to complete it in a short period of time. In last seven years only Kod Addu Power Plant has been privatized for 215 million dollars. However only 153 million dollars were deposited in Government Accounts after deduction of fees of Consultants and other conditions attached to the sale.

Within installed capacity of 13600 MW, WAPDA is proposed to be split into 21 companies comprising one company each for eight area electricity boards, ten thermal projects, two under construction hydel projects at Chashma and Ghazi Brotha and a national grid company. This is gigantic task for Privatization Commission, considering scale of corruption of WAPDA and performance of the commission in the deal with Kot Addu Power Company.

3. Karachi Electric Supply Corporation. With an installed capacity of 16900 ME, it is proposed to be privatized as single entity. According to report in daily, The News, Islamabad of 15th April 98, the company is facing a short fall of RS 32 billion and has decided to defer all its foreign exchange liabilities of RS 10.8 billions due to aggravating financial crisis. In 1996, privatization commission has assessed KESC total assets at RS 33 billion. It has debt liabilities of 22 billion.

4. United Bank Limited. On April 12, 1998 the State Bank of Pakistan that it was accepting a plea of new UBL management to inject RS 21 billion into the United Bank to prepare it for privatization. The amount to be invested in UBL is in excess of total proceeds of privatization of 90 industrial and financial units of last seven years and makes the mockery of the process of privatization.

5. Habib Bank Limited. The team of 14 Citi bankers who have taken charge of Habib Bank at an annual cost of Rs 150 million per anum are reported by Sultan Ahmad to have stated that the liabilities or bad loans of government banks are far more than acknowledged. Opposition leader Benazir Bhutto, in a letter to Governor State Bank alleged that Habib Bank has allowed all the defaulters to absolve themselves of any claim, by paying 25 % of the outstanding amounts which would greatly reduce the value of bank. The fact was confirmed by Habib Bank in a clarification reported by the newspapers on April 15, 1998.

Pakistan State Oil, Oil and Gad Development Corporation, Pakistan Petroleum Limited, Sui Northern and Sui Southern Gas Companies have a circular debt of Rs 70 billion, in addition to their own individual debts. PIA has total short term and long term external liability of 360 million US dollars. All the other units marked for privatization are sunk up to the neck, into quagmire of debt and their financial position is deteriorating because no serious effort is being made to arrest it. In these circumstances, the assessment that privatization would yield 10-80 billion US dollars is nothing but self-deception.

While estimates of proceeds from privatization are muddy and could be less than 9 to 10 billion dollars estimate of Khawaja Asif, the Commission has appointed 37 consultants and nearly a dozen financial advisers, several of whom are to be paid hefty amounts in foreign exchange, whether or not the units are privatized.

Foreign financial advisors appointed by Commission during last one year include the following:

- Pakistan Telecommunications. Goldman Sach and Company.
- Pakistan Railways. Hackling and CIE.
- Karachi Electric Supply Corp. Union Bank of Switzerland
- Sui Northern Gas Pipeline. Rothschild and Sons.
- Sui Southern Gas Company. Rothschild and Sons.
- Industrial Development Bank. Sooper and Lybrand, Faisal Bank.
- United Bank Limited. Society General/ AMZ Securities.

A Privatization Formula Rooted in Corruption, Further Being Corrupted

The formula worked out by Privatization Commission in 1991 passed on the liabilities of the privatized units to people of Pakistan and assets to new owners. It appears in hindsight, that those who designed it were not interested in fetching a fair price of the privatized units, but to facilitate their sale to favorites at throwaway prices.

The most important step in privatization n Pakistan or anywhere else is evaluation or putting the price tag on the units marked for privatization. Next in importance is the decision whether the units should be sold through stock exchange or auction. If they were to be sold through auction, should government divest all its shares or simply majority shares?

The formula worked out by Privatization Commission provided different approaches for units of different categories. It provided that for industrial units, bids should be invited for majority shares i.e. 51 percent of equity. However the management of the privatized industrial units was to be handed over to the new owners after a down payment of 40% of bid price (for 51% shares).

In case of banks, bid were invited for 26% of the equity but the new management was required to acquire the balance of 74% of shares over a period of time. In respect of utilities like Pakistan Telecommunication, WAPDA, KESC and gas companies, management was to be transferred to a strategic investor, preferably a foreign multinational after it acquired 26% of stakes.
The formula for handing over the management to private owners, acquiring 26% stakes was criticized by both the national and international press. It was argued that the method of handing over the control of an undertaking to an individual or group, upon their acquiring 26% of equity is extremely suspect, since the normal corporate practice was to pass on the control, at the purchase of 51% of shares.

> *"It could be that it has been made easy to facilitate the purchase of what one might the whole of Pakistan" an article by I. A. Hussan, in daily The News of Islamabad of June 2, 1991 observed.*

The formula also provided that Employees Buyout will have 10% preference over other bidders and that the workers of the privatized units will have a right to Golden Handshake whose cost would be equally shared by the Privatization Commission and the new owner. It was this corrupt formula which facilitated bogus employees buyout and the sale of the family silver at throwaway prices to the favorites.

It was hammered by Finance Minister Sartaj Aziz in his speeches and press conferences that in respect of industrial units, banks and utilities, even after privatization government would retain between 49 to 74% shares and would thus, benefit from dividends in profits of these companies resulting from the efficiency of the private sector. The hollowness of this argument and craftiness of the privatization formula is evident from the fact that the first unit privatized in 91 i.e. Muslim Commercial Bank has built hefty reserves but not announced a single dividend during last seven years, thus depriving the government which still owns 49% equity, of its shares in profit. Some of the most profitable units like National Fibres, Zeal Pak Cement, Pak-China Fertilizer and five of the six privatized engineering units stand closed because they were bought politically influential and unscrupulous element to strip these units of their assets and not to improve their operational efficiency.

How Privatized Units are Evaluated, Priced?

We have stated above that valuation is the most important step in the whole process of privatization because it helps the Privatization Commission in putting a price tab on the units marked for privatization, by determining the reference price below which the unit would not be sold. This fact is also vouched by a booklet, Privatization in Pakistan, published by the Privatization Commission in 1998. While talking about the process of valuation of the assets and setting up a reference price for units to be privatized, it observed that "This (valuation) is perhaps one of the most important steps in the process of privatization."

The growing subscription of the Pakistan Muslim League government to the process of accountability warranted the valuation of units, the most important step in the process of privatization was made more transparent and less discreet, in the light of experience gained during last seven years. Reverse has happened. The formula for valuation has been made more flexible to create more avenues for corruption.

Following was the valuation method used by Privatization Commission in first Nawaz government, as elaborated by booklet, "Privatization Policy and its implementation" published by Ministry of Finance in November, 91.

It said that "Privatization Commission initiates the process of valuation through independent consultants, assessors, surveyors, chartered accountants. Wherever possible the breakup value share is indicated on the basis of revalued net assets. After the valuation report is cleared by the Commission, it is placed before the cabinet committee on Privatization for consideration and approval of a reserve price. The reserved or reference price normally reflects:

1) Current value of the assets, less all liabilities at book value.
2) Level and growth of earnings.
3) Future earning potential.

Seven years later, Privatization Commission of second Nawaz government reflected on the valuation process in following manner in the booklet, Privatization in Pakistan. "A leading firm is hired to conduct valuation of the unit. The approaches usually used are (Discounted Cash Flow-DCF, CCOP's earning potentials, etc.). The valuation information is only for Privatization Commission's purview and is not shared with bidders Reference or reserve price is just a benchmark price used for reference purposes to ascertain the minimum value of the unit. The PC however believes that the market is the final determinant of the value of the unit which will come out at the time of bidding. From the valuation received from valuators, a reference price is derived after certain adjustments (if any) for approval of the competent authority".

During the last seven years, no reference was ever made in any official booklet or literature about privatization to the "DCF, CCOP's earnings" approach for evaluation of the units marked for privation. It is very difficult to understand what is Discounted Cash Flow (DCF) and CCOP's earning potential. The method of determining DCF is not explained in any literature of Privatization Commission. However, the rationale for its incorporation as an approach, "usually used" for determining the reference price would be clear to the reader after going through first case in some landmark cases of corruption in privatization mentioned later the chapter.

Accelerated privatization under a formula which is rooted in corruption and is further being corrupted would only doom Pakistan to consequences of far greater magnitude than those born out of Bhutto's nationalization. It would only mean more of the same, turning into reality the prediction that Pakistan's future is Pakistan's past. Now that second Nawaz government is determined to privatize bulk of the state enterprises and facilities developed by successive governments during the last 50 years, with tax payers money and foreign and local debt of rupees thee trillion, the least that must be demanded of the government is a new declaration about its agenda for privatization, the methods and objectives and how the government hopes to achieve them. The people of Pakistan have a right to demand from champions of transparency and freedom of information that the sale agreement of 90 privatized units be made public and people taken into confidence on whether or not the new owners have abided by these agreements, particularly their undertaking to repay liabilities of these units.

In his first term, obsession with the Motorway earned Prime Minister Nawaz Sharif the name of " second Sher Shah of Sour", the Afghan King, remembered fondly in the subcontinent, for construction the road linking New Delhi with Kabul. It appears that in his second term, Nawaz Sharif is determined to go down in Pakistan's history, as a modern-day King Richard who used to say "I would sell London, if I find a suitable buyer".

Owning the Liabilities, Transferring the Assets

The unkindest cut on the people of Pakistan inflicted by privatization relates to the liabilities of privatized units. Under the privatization carried out in last seven years, assets have been transferred to new owners, but government has been left holding the liabilities of the privatized units which are manifold the yields from privatization.

As explained above, the formula designed by the Privatization Commission is 1991 envisaged that the reference price of a unit marked for privatization should be worked out on the basis of "current value of assets, less all liabilities at book value". It was mainly because of this provision of reducing the value of the assets, by the amount of liability to arrive at a reference price that 88 privatized industrial units have fetched only Rs 15 billion.

No exercise has been undertaken by the Privatization Commission or government. about the foreign and domestic debt that has been transferred to the owners of privatized units. It is the sale agreement that spells out the liabilities of the privatized units to the national commercial banks, World Bank, International Finance Corporation (IFC), Asian Development Bank, bilateral donors and commercial lenders. The supreme irony of the whole exercise is that the foreign debt incurred by the Government of Pakistan is non-transferable. Thus after privatization these liabilities are only technically transferred to the new owners. Whether or not the new owner abides by the sale agreement, government is required to meet its repayment obligation with respect to the foreign loans of privatized units.

It can be safely said that the debt liabilities of the privatized units are manifold the yield from privatization since, in case of Naya Daur Motors whose sale agreement was made available to the author, the liabilities are many times the bid price.

Naya Daur Motors were sold to Tawakkal for Rs 39 million while the new owner had undertaken to clear the liabilities of Rs 145 million outstanding against the Asian Development Bank, Republican Motors and National Development Finance Corporation (NDFC). The amount is in default four years after privatization.

Interviews and case studies have revealed that neither Benazir nor Nawaz Sharif followed a clear cut policy for post-privatization liabilities. However Finance Minister, Sartaj Aziz told several press conferences attended by the author that Benazir Bhutto had sold the units on “as is where is” basis which meant without liabilities while Nawaz government privatization required the new owner to take over the liabilities.

In theory Nawaz policy was sound but in practice it has worked out to be the same as that of Benazir Bhutto since huge amounts of loans are outstanding against units privatized by both. According to the list of defaulters published by caretaker Prime Minister Meraj Khalid, Rs2,303 million was in default against six privatized units namely Metropolitan Steel (Rs1,128 million), National Motors (Rs 464 million), Quality Steel (Rs 295 million), Naya Daur Motors (Rs 215 million), Associated Industries (Rs 103 million) and National Fibre (Rs 90 million). An amount of 1.5 billion was outstanding against Ghazi Textiles, Harapa Textile and Pasrur Sugar Mills privatized by Nawaz Sharif, as Chief Minister, Punjab in 1984- 86.

Big Cover Up in Corruption in Privatization

Corruption in privatization under Benazir and Nawaz Sharif governments during 1990-97 has made legends. Volumes can be written about corruption in their privatization simply by compiling the charges that they have traded with each other. It would appear that not a single deal of privatization during the last seven years has been free from corruption. Yet the full story of corruption in privatization has not been told because the leaders of the two parties talked about each other's corruption when in opposition. But when in power they displayed a vested interest in covering up others corruption.

In fact interviews by the author, with present and former cabinet ministers and officials of the Privatization Commission have revealed that Meraj Khalid government. in which Shahid Javed Burki, Senior Vice-President of World Bank served as Finance Minister took a conscious decision to sleep over the scandalous default in the payment of balance amount due to the Privatization Commission by new owners of privatized units.

According to an exercise undertaken by caretaker government Benazir and Nawaz governments had privatized 88 industrial units till October 15,1996, for a consideration of Rs 15,409 million, of which Rs 4 billion was in default against owners of 30 privatized units. Of them 13 had not paid a single penny after assuming control of privatized units.

A federal minister dealing with economic affairs in the caretaker government of Meraj Khalid told the author that the cabinet was aghast at the amount in default to the Privatization Commission from the owners of privatized units but decided to let the matter pass to the elected government since they had their hands full. " We were already dealing with the scandal of Rs 120 billion bank loans default and could not afford another scandal of default in the payment to Privatization Commission", the minister said.

The cover up of default of Rs 4 billion to the Privatization Commission pales into insignificance in relation to the transfer of liabilities that have only been technically passed over to the new owners. But first a look at the default of balance amount due to the Privatization Commission.

Companies Defaulting in Payment to Privatization Commission.

	Name	Bid Price (in Rs Millions)	Date of Privatization	Amount Overdue (in Rs Millions)
1	National Cement Dandot	110	28.5.92	84
2	Pak PVC Ltd	63.57	8.2.92	46.37
3	Ravi Engineering	-	7.1.96	12.28
4	Textile Machinery Corp	28.8	5.10.95	22.89
5	National Petro Carbon	189	-	37.45
6	Bara Vegetable	30.5	26.7.92	22
7	Crescent Factories	63	5.1.93	24
8	A&B Industries	36	16.3.93	26
9	Suraj Ghee	14.58	5.1.93	0.9
10	Pak Hayee Oil	-	25.7.95	59
11	Dhaunkat Rice	79.2	28.6.93	74
12	Shikarpur Rice	42.28	-	10
13	Wah Cement	2,750	25.5.92	2,179
14	Baluchistan Wheel	270.58	3.2.92	116
15	National Fibre	756.64	6.5.92	56.03
16	Pak-China Fertilizer	456.84	12.1.93	240.32
17	Naya Daur Motors	40.52	1.10.92	40.48
18	Sindh Alkali	152.3	-	13.07
19	Sindh Ceramics	60.2	31.5.92	13.65
20	Metropolitan Steel	66.67	23.5.92	28.49
21	Sh Fazal ur Rehman Ghee Mills	64.28	25.1.93	30.37
22	Quaid Abad Woolen Mills	86	8.7.92	14.17
23	Haripur Vegetable	30.1	19.5.92	25.15
24	Kakakhel Industries	52.28	5.1.93	1.5
25	Asif Industries	13.2	26.7.92	12.06
26	Chilton Industries	49.7	5.1.93	24
27	Crescent Industries	63	-	180
28	Pak Dyes & Chemicals	17	-	?
29	Ittehad Chemicals	452	-	180

(The above table was compiled from charts namely (1) Payment schedule up to October 15, 1996 and (2) Statement showing balances up to and after October 15, 1996 prepared by the Privatization Commission under the caretaker government.)

The cover up of corruption in privatization is also evident from the fact that both Benazir Bhutto and Nawaz Sharif considered the feasibility of "the repossession of privatized units" because of the gross irregularities committed in their privatization and breach of agreement by the new owners.

In a meeting on January 13, 1995 the cabinet presided by Benazir Bhutto considered the matters relating to the privatization of several industrial units by Nawaz Sharif and took the decision that " the Privatization Commission should submit a schedule for repossession of such privatized public sector units which were now closed or abandoned". In April 1997, the Privatization Commission headed by Khawaja Asif sought the advice of Ministry of Law whether or not the Privatization Commission can take over the privatized units in which the new owners have breached the contract. The letter sent by the Privatization Commission asked the Ministry of Law to examine;

> A) Whether the PC can repossess subject units, Naya Daur Motors Ltd. which is operational and other units, in which sales agreements contain the re-possession clauses and buyers have committed breaches in implementing the provisions of the agreement and the units are otherwise operating.
>
> B) The legal formalities which will be required to be completed before the repossession action is taken and whether serving of a show cause notice upon the buyer is a necessary requirement under the law?

The Privatization Commission also asked the Ministry of Law "to examine the issue of promulgating a law empowering the government. to repossess the privatized public sector units in the case of default".

In its reply of May 28, 1997, Ghulam Rasul, Joint Secretary, Ministry of Law stated that the Denationalization Act of 1992 had provided that the government. can not "compulsorily acquire or take over privatized unit, for any reasons whatsoever, once it has been transferred." However, Ministry was of the opinion that the transfer deed is not complete until the new owners complete the terms of agreement signed with the Privatization Commission. The letter stated clearly that the Privatization Commission "enjoyed powers to repossess Naya Daur Motors." The matter was discussed by the Cabinet which decided to let the matter rest and continue with business of privatization, as usual.

A Brief History of Privatization

The demand for denationalization gained currency towards the end of Z. A. Bhutto era when nationalization of nearly 3,000 rice-husking, cotton-ginning and vegetable ghee (cooking oil) manufacturing units created widespread resentment among the middle level businessmen and industrialists.

Mian Masud, a former president of Rawalpindi Chamber of Commerce and Industry (RCCI) is still mourned by his family members as a victim of Bhutto's nationalization since he died of shock when his family lost Fazal Vegetable Factory in Islamabad and another in Multan. Youngest of seven brothers, Mian Masud had taken upon himself to campaign for the denationalization of the vegetable ghee units and his family and friends attribute his death to his tireless but apparently futile campaign. His children and brothers have risen again in Multan-based Fazal (Fatima) group to join the rank of 44 industrial families in Pakistan in 1997. (See Rise of Chaniotis)

The white paper on " Economy under Bhutto" released by General Zia un 1979 charged that "in the name of social-justice, ill-conceived, ill-prepared and inadequately analyzed changes were introduced in a hurry, with only short-term policy objectives in view, with the result that instead of achieving social goals of better social justice these only succeeded in stifling growth". It argued that "nationalization intended to break the economic potential of any possible political opposition and at the same time it placed with the government tremendous economic power of patronage, resources and employment opportunities which could be used for the support of the party". It charged that nationalization was discriminatory and particularly mentioned the case of Ittefaq Foundry, as an example of victimization since "some small units belonging to political opponents were taken over while much larger units were not touched The nationalization of Ittefaq Foundry which was only one of the large number of several units was an obvious example of selection of units on political criterion".

Zia set up a Commission headed by PICIC Chairman N. M. Uqaili to look into the state of the State enterprises which recommended that government should denationalize sick units. Three units namely Ittefaq Foundry, Nowshera Engineering and Hilal Vegetables were returned to the previous owners while cement and fertilizers which were the monopoly of the government were opened to the private sector. Vegetable Ghee Denationalization Order was promulgated to denationalize cooking oil factories but the move was opposed tooth and nail by the bureaucracy which was heading the nationalized units.

Nawaz Sharif's Privatization

As Chief Minister Punjab, Nawaz Sharif presided over the liquidation/ privatization of several units of Punjab Industrial and Development Board (PIDC) like Pasrur Sugar Mills, Samundri Sugar, Rahwali Sugar, Paras Textile, Harapa Textile and Ghazi Textile. How and on what prices these units were sold is still a secret but according to Company Review in the daily DAWN in May 1991, Pasrur Sugar Mills was sold to United Sugar Mills of United group for a "**token price of Rs one only**".

Samundri Sugar Mills was sold to Monoos and Rahwali Sugar to a Muslim League politician Sheikh Mansoor, following single line advertisement in newspapers under the caption, "Bids invited for Rahwali Sugar Mills". The recklessness and favoritism shown in privatization of the PIDB units by Chief Minister Nawaz Sharif was to become the hallmark of his privatization as Prime Minister.

British Prime Minister from 1979-90 Margaret Thatcher carried out one of the most successful privatization programme under which nearly four dozen government. entities including British Steel, British Airways, the telephone system, water, electric and gas companies, the coal mines and the railroads were sold for nearly 100 billion dollars. Her promise to "roll back the frontier of the State" got the fancy of many world leaders. Both Benazir who ruled Islamabad as prime minister in 1988 and Nawaz Sharif who was the uncrowned King of Punjab during Bhutto's rule started peddling privatization as the linchpin of their economic agenda.

In April 1989, within four months of coming into power, Benazir government employed N. M. Rothschild & Sons to undertake study of privatization strategy and selection of projects suitable for privatization. The consultants, who submitted report on 22nd May, 1989 suggested a strategy of widespread ownership and identified 14 units for privatization in two phases. These units were Muslim Commercial Bank, Habib Bank, PIA, PSO, Sui Northern Gas Pipeline, Sui Southern, Pakistan National Shipping, Pak-Saudi Fertilizer, National Refinery, Pak-Suzuki Motors, Gharibwal Cement, Al-Ghazi Tractors, Millat Tractors and Mustehkam Cement.

In its first term, Benazir government tried to privatize Sui Southern Gas Company and engaged a British Consultant Morgan Grenfell who were paid US $ 39,431 and a Pakistani Consultant Sidat Hyder Aslam was paid Rs 4,20,000. However after considerable spade work, proposal to privatize Sui Southern was dropped and it was decided that 10% shares of PIA, 30-40% shares of Pak-Saudi Fertilizer and 60% shares of MCB will be privatized. The government however could not carry out the proposed plan and only 10% shares of PIA were divested before Benazir was dismissed on August 5, 1990 giving way to the first Nawaz Sharif government.

Nawaz Sharif was a reaction to Zulfikar Ali Bhutto and like Bhutto's nationalization his privatization was swift. He lacked Bhutto's charisma but he countered Bhutto's ideology, by imitating him. In many ways he imitated Bhutto better than Bhutto's own daughter Benazir.

Within Six weeks of coming into power he privatized Muslim Commercial Bank (MCB) to a national group of 12 leading industrialists led by Mian Mansha of Nishat. A Privatization Commission was set up under the chairmanship of General Saeed Qadir who sold off the State enterprises as heavily as he had poured billions of tax payer's money into building them as Minister for Production under Zia ul Haq.

The Commission invited bids for 25 units between March and July 1991 but the results were not encouraging since no bid was received for nine units and the response for the remaining units was also poor. In August 1991 the Commission invited bids for 100 units and the national newspapers described it as the world's single biggest lot offered for privatization. A total of 235 bids for 81 units were received for which 26 bids were accepted by the government.

In addition to Privatization Commission of Saeed Qadir, government set up a Commission for Privatization of WAPDA headed by former Secretary Abdul Rahim Mahsud, a committee for privatization of Pakistan Telecommunication under Deputy Chairman Planning Commission A. G. N. Kazi and another for privatization of banks headed by Governor State Bank. Completely diverse and independent procedures were worked out for privatization of units of these four entities.

Nawaz Sharif had earmarked 115 units for privatization and when his government was dismissed on April 18,1993, he had privatized two banks, 68 industrial units and 10% Shares of Sui Northern Gas Pipeline for a consideration of Rs 12,018 million. As opposition leader, Benazir hounded his privatization with charges of corruption and leading to concentration of wealth in few hands. So widespread were the charges of concentration of wealth that his government was forced to set up a committee headed by former Finance Secretary H. U. Beg to investigate into it. The report of the committee never saw the light of the day.

A committee was also set up in the Monopoly Control Authority to look into the allegations that cement prices have escalated in the market because of the monopoly created by the privatization of five cement factories to Mian Mansha and his associates. Out of 88 industrial units privatized to date, 19 were vegetable ghee units and 16 Roti plants and rice-husking units while 20 bigger units accounted for more than half of the privatized assets and it were these units which were privatized to the big business.

Mansha and his associates walked away with MCB and five cement plants, Schon group got Pak-China Fertilizer and National Fibre, Takakkal got Baluchistan Wheels adn Naya Daur Motors while Bibojee group of Habib Ullah Khattak got back the National Motors (Originally Gandhara Motors). An unknown person Sikandar Jatoi was successful in bidding for Metropolitan Steel, Zeal Pak Cement and Shikarpur Rice.

When Nawaz was dismissed on April 18, 1993, the Dissolution Order listed “the lack of transparency in the process of privatization and in the disposal of public/governmentt properties” as one of the grounds for dismissal. The Attorney General in his written reply and arguments before the Supreme Court charged that the process of privatization lacked transparency, the reference prices were changed, methodology for fixing the reference prices was not made within the stipulated time and the mode of transfer of management enabled the new owners to pay the balance from windfall profits.

Although Nawaz government was restored by Supreme Court, three judges found its privatization to be faulty and in conflict with the provisions of the constitution. The dissenting Justice Sajjad Ali Shah found corruption in privatization as a valid ground for dismissal of the government.

Benazir Bhutto’s Privatization (1993-96)

Benazir Bhutto summed up the corruption in Nawaz Sharif’s privatization when she told the workers of Larkana Sugar Mills in August 1996 that “*Ab karkhana sahi keemat per* *bikey ga aur sahi aadmi ko meelay ga*, (Now the factories will be sold to right people, at right price)". Her choice of words conveyed that she was fully aware that under Nawaz Sharif, units had been privatized to front men at throwaway prices. But instead of plugging the loopholes in the privatization procedures used by her predecessor she capitalized on them. Though, being an amateur in corporate matters, and because of poor craftiness of Naveed Qamar as compared to his predecessor, her bids to privatize United Bank (UBL), Pak-Saudi Fertilizer, Oil and Gas Development Corporation (OGDC) and sale of Pakistan Petroleum Limited (PPL) to front men and favorites were aborted by the hue and cry raised by the opposition, labour unions, press and presidential intervention.

One of her first move, on coming to power, for the second term was to reconstitute Privatization Commission, merging into it the other three committees dealing with privatization of WAPDA, Pakistan Telecommunication and banks, appointing Naveed Qamar, a close friend of her husband Asif Ali Zardari, as its chairman.

Privatization in Pakistan, policy and programme published in January 1994 said that the new government has carried out a review of the privatization work of Nawaz Sharif and was preparing to implement its own new mandate.

About Nawaz Sharif's privatization it simply said that "the policy pursued in recent past, both in its concept and implementation specifically suffered from poor and hasty planning and a naive assumption that a complex procedure could be reduced to the level of ordinary auction. The failure was compounded by weak legal arrangements and inconclusive labour issues.

"All this deprived the nation of the fruits of privatization, which were well within reach" it lamented and went on to identify what PPP government felt was a meaningful privatization and what ought to be its objectives.

"In many countries, benefits of privatization have trickled down to the consumers, workers, investors as well as government. Large investments were made by new owners, subsequent to privatization to expand and diversify production. As a result domestic welfare improved. This we intend to replicate in Pakistan. The privatization policy envisages the creation of a mechanism for the reduction of debts so that our children inherit an industrialized, not a bankrupt nation", the document declared.

"The government believes that one of the principal benefits to the nation from privatization of its public assets is by way of reduction of our public sector debt burden. The burden of domestic and international debt can be reduced from the sale of those very assets for which the debt was partially created", it said.

In her second term, Benazir privatized 20 industrial units, one financial institution, Kot Addu Power Plant and 12% shares of Pakistan Telecommunications Ltd.

Some Landmark Cases of Corruption in Privatization

A: Fixing the reference price at will.

A chairman of the Federal Anti-Corruption Committee (FACC), late Malik Mohammad Qasim, at a press conference on Feb 9,1 995, accused Nawaz Sharif government of arbitrarily fixing the reference prices of the privatized state units and ignoring those suggested by the evaluations. It was revealed that bids for a total amount of Rs 759 million were received for 16 Ghee Mills but they were sold for 636 million. The management of these units were handed over after a down of Rs 315 million, out of which Rs 137 were repaid as government share in Golden Handshake Scheme. The balance has not been paid to-date since the new owners have gone to court, on one pretext or another.

Sartaj Aziz defended the allegation in "The privatization of Ghee Mills, a rejoinder to FACC" released at a press conference. This is how he responded to the allegation that several state enterprises were sold at a price below those suggested by valuators.

> *"No arbitrary fixation of price took place at all. The reasons for any deviation from the figures worked out by the consultants have been explained in detail in review note of the valuation of each unit. The Privatization Commission, with approval of the Cabinet Committee on Privatization (CCOP) had agreed to adopt a uniform basis for the value of the goodwill in case of profitable units, as two years purchase of average profit, net of tax. Similarly in the case of loss-making units two years average losses net of tax credit were to be considered. Also a uniform rate of depreciation based on the normal tax depreciation rate was to be considered for depreciable fixed assets. These factors have been uniformly applied to arrive at the reference prices of all units offered for disinvestment without any exception"*.

The transparency in deciding the sale price is evident from the statement above which is not easy to comprehend. But the crux of what it said is **"YES, WAYS WERE FOUND TO CHANGE THE REFERENCE PRICES FIXED BY THE EVALUATORS".** Selling the units at a price far below the reference price was not limited to ghee units alone. At least half of the industrial units have been sold much below the reference price, on one ground or another.

B: Schon Group

National Fibre was one of the most profitable public sector units whose profitability induced others like ICI to set up polyester fibre projects. In 1991-92 when the project was privatized it had an impressive balance sheet of paid up capital of Rs 423 million, annual sales of Rs 990 million and a profit of Rs177 million. It was sold on Feb 2, 1992 for Rs 756 million to Schon Group and delivered after a down-payment of Rs 302 million, which is still defaulting in payment of Rs 356 million for National Fibre.

In May 92, Pak-China Fertilizer was also sold to Schon group for Rs 456 million and handed over on a payment of Rs 182 million. A balance of Rs 240 million was outstanding against the group but no effort was made to recover it. Instead, Bhutto government approved the sale of Pak-Saudi Fertilizer to front-man for the Schon group but thanks largely to the alarm raised by the workers union and intervention by President Farooq Leghari the deal did not go through.

After taking over the management of National Fibre, Schon applied to the Corporate Law Authority (CLA) for the consent to issue shares in the stock market for Rs 35 per share because the company was poised to launch a major expansion programme of Rs 1,700 million. The permission was granted but Karachi Stock Exchange took the plea that the share was overpriced and therefore, the share price was reduced to Rs 26.50. The offer was oversubscribed but on Dec 30, 1992 the annual general meeting of the company was called "to approve the management of surplus funds by Schon Management (Pvt.) Limited, an associate company of the group". Both National Fibre and Pak-China Fertilizer have been closed since their privatization.

Several cases were registered against members of the Schon group by the caretaker government of Meraj Khalid and second Nawaz government. However, the chairman of the group Akhtar Hussain and his sons managed to escape and are currently living in exile in United States. Under an agreement whose details have not been revealed, despite questions in the Senate and National Assembly, shares of Schon Bank and real estate of Schon Bank have been auctioned by the Ehtasab Bureau for Rs 620 million. An additional amount of Rs 300 million was deposited by the group with the Ehtasab Bureau. Several other properties including two Rolls Royce cars, 12 aircrafts of Schon Air and a plot owned by the Schon Refinery are proposed to be auctioned in near future.

A report in daily, the News, Islamabad March 27, 1998 said that Ehtasab Bureau has released an amount of Rs 123 million to clear the outstanding payments to the workers of Pak-China fertilizer and that factory would soon resume operation. A clarification issued by the Ehtasab Bureau, as published in daily, The News, Islamabad two days later said that Bureau had also provided Rs 150 million to the Schon group to start the factory so that 600 factory workers can resume employment. It was not clear as to how Schon group was allowed to continue managing the factory while absconding from law. It was also not clear from the report, from which account Senator Saif-ur-Rehman of Ehtasab Bureau had released Rs 123 million for clearing the bills of Pak-China Fertilizer which for all practical purpose is a private company and not owned by the government.

C: Sikandar Jatoi

Metropolitan Steel had an annual turnover of Rs 1,200 million and had undergone an expansion with an investment of Rs 200 million on the eve of its privatization in 1992. It was sold for Rs 66.67 million to Messers Sikandar Jatoi and handed over after a down payment of Rs 30.7 million. The Privatization Commission wrote out a checque of Rs 25 million to the new management as government contribution for Golden Handshake which means that Sikandar Jatoi walked away with Metropolitan Steel for a laughable Rs 5 million. Not a single payment has been made to the privatization commission since its privatization. Instead he moved Sindh High Court to claim a refund of Rs 100 million sales tax which the court upheld. The unit has remained closed since its privatization.

Sikandar Jatoi also bought Zeal Pak Cement on Oct 19, 1992, for Rs 293 million and was handed over the unit, after a down payment of Rs 95 million. The Privatization Commission repaid Rs 56 million by way of government contribution in Golden Handshake. The unit is closed since its privatization. Jatoi also played a key role in the dubious privatization of UBL and deposited the earnest money on behalf of successful bidder Basharahil through a cheque drawn on Muslim Commercial Bank, courtesy its president Hussain Lawai.

D: Tawakkals

Naya Daur Motors was evaluated at Rs 231 million and sold for Rs 69 million to Tawakkals but the bid price was revised downward to Rs 22.30 million and the new owner, thus walked away with spoils after a payment of Rs 15.69 million. It was on the basis of this unit that Tawakkals mobilised Rs 2 billion for Kia Motors from 4,000 people and are languishing in Jail. Tawakkals were also sold Baluchistan Wheels for Rs 270 million against which an amount of Rs 116 million is outstanding.

E: Kot Addu Power Company

National Power of UK was selected strategic partner for Kot Addu Power Plant by accepting its bid for 26% shares for US$ 215 million. Messers CS First Boston which acted as financial advisor for the deal was paid a fee of US$ 13.132 million. The bid was reported to be unconditional when it was accepted but when Escrow Agreement was signed four conditions were incorporated. The total amount that was deposited in the Government of Pakistan account was US$ 163 million, resulting in the direct loss of US$ 51 million. Later, National Power was also sold additional 10% shares at a price of US$ 76 million against the approved price of US$ 82.7 million.

F: OGDC Privatization Bid

In 1996-97, Oil and Gas Development Corporation produced 22,082 barrels per day (BPD) of oil, 474 MMCFD of gas, 167 tons per day of LPG and had an annual gross sale of Rs 11,595 million. It has nine drilling rigs, two work-over rigs, a Seismic Data Processing Centre and a host of related infrastructure facilities. Its privatization was advocated by Benazir government on the ground that it was constantly running into losses. The fact is that recruitment's were made in OGDC and irregularities were committed on such a scale that the government appeared to be in race to bankrupt it as early as possible. The irregularities in the award of LPG quota is just one case in point. Not only LPG was allocated to favorites for a song, no effort was made to recover the cost. It fell to the lot of the caretaker government. to recover Rs 1,500 million from the LPG companies during its three month tenure.

G: UBL Privatization Bid

In September 91, Chairman, Privatization Commission, Saeed Qadir has speculated in an interview with Sabih uddin Ghausi of Daily DAWN that UBL could fetch a price of Rs150 per share, against Rs 70 of ABL and Rs 54 of MCB but in 1996 it was sold to a dubious group for Rs 15 per share. Such a big fall in such a short time could happen only through a determined effort by the controllers of the bank to bankrupt it before its privatization. That a sustained effort was made by the government to bankrupt the bank before its privatization is also evident from the annual balance sheets of the bank.

UBL earned Rs 236 million profit in 1991, Rs 258 million in 1992 and Rs 275 in 1993 which went down to Rs 59 million in 1994 and gave a loss of Rs 720 million in 1995. During three years of Benazir government overdue advances jumped from Rs 12 billion to Rs 18 billion and 30 loans worth Rs 2 billion were rescheduled, scores of loans were written off.

In 1996 UBL had 3,000 ghost workers; Rs 700 million per annum was being spent on the union whose office bearers were in possession of 190 bank vehicles. The employees of the bank had extracted unrecoverable loans worth Rs 800 million. The bad loans amounted to Rs 17 billion (25% of all advances) and the bank was working with a net negative worth of Rs 12 billion. It was for this reason that Consultant Credit Lyonnais, Deloitte Touche Tohmatsu and Khalid Majid Hussan Shah Rehman had recommended "that the bank can not be sold without the government. first pumping in at least Rs 15 billion to make it a viable operation."

Without taking into consideration the recommendation of Credit Lyonnais, the Privatization Commission decided to dispose of UBL on " As is, where is basis", and invited bids on Oct 6,1995. Eight bids were received. Six were rejected on the ground that the bidders did not have the required capital worth of Rs 1,500 million or were defaulting on loans. Surprisingly those who were disqualified included Saigols, Atlas-Bank of Tokyo and a consortium of Crescent and Dewan groups. The Crescent-Deewan joint bid was rejected on the ground that they were defaulting in the payment of a loan obligation.

After a charade of negotiations during which Chairman of the Privatization Commission made a pilgrimage to Saudi Arabia, the bid of dubious Basharahill was accepted at Rs 15.30 per share. However the deal had to be called off when it was found out that even the earnest money of Rs 300 million was made available by Muslim Commercial Bank and was deposited by Sikandar Jatoi.

H: Pak-Saudi Fertilizer Privatization Bids

"Last year this project made a profit of Rs 1,094 million. Next year it could be all yours" proclaimed an advertisement in the newspapers inviting bids for the privatization of Pak-Saudi Fertilizer Limited, one of the most profitable State enterprises under the Ministry of Production. The unit was a gold mine, not just because of its profitability but because whoever owned the unit was in a position to strangulate three other units of National

Fertilizer Corporation (NFC) namely Pak-American Fertilizer, Hazara Phosphate and National Fertilizer Company Jaranwala, Lyalpur (NFCL) because they supplied raw material to this company.

Both Nawaz and Benazir tried to sell Pak-Saudi Fertilizer to front man but the sales could not be carried out because of hue and cry raised by union and the press. When bids were invited first by Nawaz Sharif in 1991, two serious bidders emerged, both claiming to represent workers since Employees-Oversees Investors, Buy-out was accepted by the government, although it did not meet the payment conditions of the Privatization Commission and sought to make the final payment by launching a modaraba.

Advertisements in the national newspapers by PSFL union claimed that the real force behind the successful bidder was a friend of General Saeed Qadir, Chairman, Privatization Commission. The deal had to be called off.

During second Benazir government a UAE-based company was declared successful but it transpired that the company was a front for Schon Group which enjoyed cordial relations with Asif Zardari. The bid was aborted like previous one.

Mian Mohammad Mansha and Nawaz Sharif: Privatization of Muslim Commercial Bank - The Master Stroke?

> *"Investment in the shares of MCB has been one of my biggest business slip ups in hindsight, I should have never invested in this bank."*
>
> *Mian Mohammad Mansha-Interview, daily, The Nation, April 28, 1997.*

Nawaz Sharif Came into power on November 6, 1990, invited bids for the privatization of Muslim Commercial Bank (MCB) on December 15, 1990 and announced its privatization to successful bidder, Messers Abdullah and others on January 9, 1991.

Five bids were received for Muslim Commercial Bank with Tawakkals and Adamjee, being the highest and second highest bidders. Adamjee who formed a joint venture with Yunus Brothers, perhaps the biggest Export Houses in Pakistan, had incorporated Muslim Commercial Bank in 1949. As previous owner, they had the first right of purchase but, third lowest bid by Messers Abdullah and others, a consortium comprising of 12 leading industrialists, mostly from Punjab and headed by Mian Mohammad Mansha, was asked to match the highest bid and declared winner. The consortium which called itself the National Group comprised the following leading industrial groups and families:

1	Mohammad Abdullah	Saphire
2	S.M.Muneer	Din
3	S.S.Saleem	Universal Leather and Footwear
4	Mian Mohammad Mansha	Nishat
5	Haji Bashir Ahmad	Sitara
6	Tariq Rafi	Sadiqsons (United)
7	Mohammad Naseem	Shafi Tanneries
8	Mohammad Arshad	Arshad Textiles
9	Sheikh Mukhtar Ahmad	Ibrahim
10	Saqib Elahi	Be Be Jan Pakistan (Pvt) Ltd.
11	Bashir Jan Mohammad	F and B Bulk Storage (Pvt) Ltd.
12	Khawaja Mohammad Javed	Chakwal

At the press Conference called to announce the sale of MCB to the National Group, Finance Minister Sartaj Aziz said that two highest bids were rejected because the bidders had failed to disclose the source of their income. A press release distributed at the press conference claimed that the committee which scrutinized the five bids was guided by four major considerations namely (1) corporate and financial record of bidders, (2) capability of managing the bank on sound professional basis, (3) dispersal of share-holding to avoid concentration of ownership and control and (4) price offered on “as is where is” basis, without any condition.

Tawakkals filed a case in High Court but withdrew it under pressure from the Finance Ministry. In the subsequent privatization by Nawaz Sharif, Tawakkals succeeded in the privatization of three industrial units in such a dubious manner that Chairman, Privatization Commission came to be known as General Saeed Qadir Tawakkal, to rhyme like Abdul Qadir Tawakkal of Tawakkal group.

For nearly 30 months while Nawaz Sharif was in power, Bhutto and her party leaders ceaselessly attacked the privatization process, particularly privatization of MCB to Mian Mansha and his associates, as an act of favoritism and part of a game plan. Farooq Leghari, Finance Minister in the caretaker government of Prime Minister Moeen Qureshi, declared on the floor of the Senate on May 18, 1993 that MCB was privatized as part of a grand design to grab some of the most profitable units slated for privatization.

“In the very first case of privatization of MCB, highest bidder who was the original owner was also excluded. The third group got it. And I will tell you later, what happened to the third group and how they manipulated and used MCB for a host of other takeovers of the government corporate sector. It did not happen by coincidence. It happened by design”, Leghari declared.

But all said and done, the story behind MCB’s privatization has not been told and perhaps will never be told because those who could have done it, decided to make real capital after making political capital out of it. Once she came into power in 1993, Benazir developed amnesia about her pledge to investigate the privatization of MCB. However, MCB President Hussain Lawai, accompanied by Mian Mohammad Mansha held at least one meeting with Prime Minister's spouse Asif Zardari. Nobody knows what transpired in the meeting but within a week Mian Mansha went into forced exile, to return to Pakistan only after the ouster of Benazir in Nov 1996. It was also, only after the dismissal of her government that collusion between Lawai and Asif Zardari, in several remunerative deals like award of gold monopoly to ARY Traders, loan to Sadaruddin Hashwani to facilitate the purchase of Occidental Petroleum and dubious UBL privatization to Basharahill became the public knowledge.

During first Benazir government (1988-90) Saddaruddin Hashwani had gone into forced exile, after a meeting with Asif Zardari amidst reports that he was under pressure to deliver Pakistan Services Ltd. operating the chain of Pearl Continental Hotels to a nominee of Asif Zardari.

While Mian Mansha was in exile, S M Munir, a member of National Group owning MCB and Chairman, Din group was appointed a federal minister. President MCB, Hussain Lawai was appointed an adviser to the Prime Minister.

"Mian Mansha can not be forgiven", a close aide to Prime Minister Nawaz Sharif, now a cabinet minister told a group of reporters in the National Assembly cafeteria, minutes after the new assembly had taken oath in Feb 1997. Mansha and his associates had wholeheartedly supported first Nawaz government as is evident from the number of companies incorporated and listed on KSE, by Nishat and Chinioti community. What went wrong between the "Lahore Maphia" and second Nawaz government is a big mystery? But let us see how MCB was used to raid the State enterprises.

MCB was sold for Rs 2,420 against a down-payment of Rs 804 million. Within a year of privatization of MCB, Privatization Commission sold some of the most profitable cement plants to Mian Mansha, his relatives and business associates. Thus D G Khan Cement was sold to Tariq Saeed Saigol for Rs 1,799 million, Maple Leaf Cement to Nishat Mills for Rs 291 million, Pak Cement and White Cement for Rs 137 million and Rs 188 million respectively to Mian Jehangir Elahi and Associates. Dandot Cement was sold to the Chakwal group for Rs 254 million.

D G Khan Cement was acquired by Kohinoor Textile Mills (KTM) of Tariq Saeed Saigol by borrowing heavily from the bank, as is evident from the annual reports of KTM for 1992 which show no debt and 1993 which reveal heavy indebtedness.

Nishat Mills had assumed the management of Maple Leaf Cement on Jan 8, 1992 but within a few months of the sale D G Khan Cement by KTM to Mian Mansha, Maple Leaf Cement was sold by Mian Mansha to Tariq Saeed Saigol. KTM had also invested in the privatization of White Cement and Pak Cement but its investment was also divested in March 1992, in favour of Mian Mansha.

Dandot Cement was officially privatized to employees group but somehow it has become a part of Chakwal group, also closely related in business to Mian Mansha.

Thus it was through a complex inter-corporate financing that Mian Mansha, his relatives and business associates ended up with five of eight privatized cement units which accounted for 45% to total industrial assets privatized by Nawaz Sharif. Within months of their privatization, cement prices catapulted in domestic market, forcing the government. to order the dormant Monopoly Control Authority (MCA) to hold an inquiry into the possibility of cartelization of cement. As was expected the inquiry absolved the privatized units of any wrong doing.

It was because of the assets acquired in privatization that Nishat group of Mian Mansha which was at the 15th position among the list of 43 top industrial families in Pakistan in 1972 and sixth in the ranking of the Monthly Herald in 1990 had risen to the top of the corporate world in 1993, by the time, Nawaz Sharif was dismissed on charges of corruption and other irregularities.

Benazir Bhutto and Hashwani

In a meeting with Financial Writers Association in Islamabad on April 16, 1996, Asif Zardari regretted that bureaucracy had not allowed businessmen to grow in Pakistan and stunted their growth by heavy taxation, regulations and controls.

With Commerce Secretary, Salman Farooqi sitting on his right, he remarked “Our bureaucracy behaves as if it is criminal to make money” and went on to narrate how he had argued with Petroleum Secretary only the previous evening about the proposed sale of Burmah Castrol’s share in PPL to Hashwani which was to become a major controversy involving Asif Zardari and his wife’s government.

Zardari was irritated by the argument of Ministry of Petroleum that Hashwani had his hands full and therefore, he should give up the idea of acquiring the company for which he had struck the deal but required a “No Objection Certificate” (NOC) from the Ministry. He was completely unmindful of the stories that in 1989 Hashwani had to flee the country because of pressure to transfer the management of Pakistan Services Ltd operating a chain of five-star hotels to a Zardari nominee or face prosecution for recovery of a Rs 120 million loans he got Zia-ul-Haq to write off.

Hashwanis are Khoja Ismaeelis from Gujrat in India who migrated to Karachi in 1890 where Hussain Hashwani, father of Sadaruddin Hashwani became partner in a company, representing Releigh Brothers, one of the leading buyers of cotton worldwide. In 1947, when the two Hindu partners departed, Hussain Hashwani incorporated Hassan Ali and Company, in the name of his eldest son. The three Hashwani brothers were reigning as the Cotton King when cotton export business was nationalized in 1972, by Z. A. Bhutto.

Sadaruddin Hashwani is SADRU to friends and a corporate raider and social climber to others. He had started as small time trader in 1960, became a big name in the 1970 and

1980's and was ranked 20th in June, 1990 list of Pakistan's super rich by Monthly Herald. During three years of Benazir government, it emerged as one of the fastest growing group whose real value is difficult to assess and can only be guessed.

Nationalization was the turning point for Hashwanis who acquired Kotri Textile, New Jubilee Insurance and PICIC interests of the Fancy family, another Ismaeeli conglomerate who, jilted by nationalization were planning to shift business to the Middle East. The nationalization of banks by Z. A. Bhutto turned out to be another blessing for Sadaruddin Hashwani because his name and social contacts gave him an advantage in extracting loans from the nationalized commercial banks. While all big business families were out to condemn the nationalization of banks, he was the lone voice singing sweet melodies in favour of nationalized commercial banks.

> *"No one should be allowed to open a private bank in Pakistan. I am sorry, I do not see any credit-worthy Pakistani that you can allow to open a bank and even take a deposit from my personal experience, I can say that I was victimized when banking was in private hands because of the conflict of interest. Whenever I approached a bank whose directors were involved in trading, they would not finance me. As far as I am concerned that nationalization of banks was a blessing in disguise"* he declared in an interview with the monthly Herald in January 1985.

As part of its tourism policy, Z. A. Bhutto government declared hotel as an industry for securing bank loans. Sadaruddin Hashwani who was also active in real estate decided to build a hotel on a piece of land that he owned in busy Sadar area in Karachi. He applied for a loan and sought allotment of land in Islamabad for a 5-star hotel. Bhutto who had planned Asian Games in Islamabad went out of the way to sanction the loan.

The White Paper on Economy released in 1979 by Zia ul Haq accused Bhutto of sanctioning a loan to Hashwani Hotels despite objections by the Pakistan Banking Council that Hashwani brothers were already defaulting in an earlier loan from United Bank Ltd, in respect of another of their trading concern. But Bhutto decided that the UBL should not link up the default of the other concern of the sponsors with the underwriting of shares of Hashwani Hotels. A loan of Rs 19.8 million was sanctioned by Investment Corporation of Pakistan.

Few years later, it was Zia ul Haq government that sanctioned a loan facilitating Sadaruddin Hashwani to purchase Pakistan Services Ltd. That catapulted him the top of the hotel industry in Pakistan.

In 1985, when PIA decided to sell its 51% shares in Pakistan Services Ltd operating Pearl Continental Hotels, Hashwani walked away with the spoils with financing obtained from ICP. It was this Rs 120 million loan which was written off by Zia ul Haq that landed him in trouble with Zardari in 1988-90.

Benazir had campaigned against the practice of rescheduling and writing off loans and promised to recover the amount but did nothing to recover the written off loans, once she came to power. However pressure was put on Sadaruddin Hashwani to hand over his hotels to a nominee of Asif Zardari. Hashwani has denied that but lived out the first Benazir government, in exile, in Europe. He denies even that any loan against was ever written off. “There was a dispute about the rate of mark-up and the matter was resolved”, he said in an interview with the author. He also discounted reports that he had gone into self-exile, claiming that he had gone to Europe because he was feeling depressed after the death of his mother, Zaver Hashwani in 1989.

Sometimes in 1990, Sadaruddin Hashwani incorporated Zaver Petroleum, after his mother’s name. In September 1993 he blocked the sale of Burma Castrol shares in Pakistan Petroleum Ltd to Prmier Oil, by obtaining a stay-order from Baluchistan High Court against the deal.

The Petroleum Policy announced by Benazir government in January 1994 was tailor-made for Zever Petroleum since it provided that in the event of discovery, local companies included in an exploration consortium will be provided an additional 2.5% share out of government’s working interests, provided they have invested a minimum of five percent during exploration. Zever Petroleum was the only Pakistani Company active in the oil and gas exploration business at the time.

On August 7, 1994, Zever Petroleum announced it has acquired the entire capital stock of Occidental Pakistan Inc (OPI) which was producing an estimated 10,000 barrels per day of crude from Dharnol oilfield in Potohar. A report in the daily Dawn from its Washington correspondent said Occidental of USA did not disclose the price in the document it submitted to the United States Security and Exchange Authority.

According to a detailed report in weekly Takbeer, Karachi, January 23, 1997, the acquisition of Occidental Petroleum which operates Pakistan’s second biggest oilfield at Dharnol in Potohar was facilitated by Asif Zardari who arranged a package of four loans from the Habib Bank and United Bank. The story is corroborated by the fact that the defaulters list published by caretaker Prime Minister Meraj Khalid listed Pak Company of Tempa, Florida, a Hashoo group company to be defaulting in the payment of loans worth Rs 264 million.

For long, the Corporate Law Authority (CLA) has been asking Hashwani to convert Hashwani Hotels into a public limited company, as required by the 1984 Company Law. He balked at the move on the plea that he was involved in litigation with his brother Akbar Hashwani. However, despite the litigation, CLA cleared the deal between Zever Petroleum and Occidental based on the mortgage of his equity in Hashwani Hotels and other companies.

According to the article in weekly Takbeer, ten percent equity in Occidental Pakistan International is owned by Hashwani Hotels, 30% by Pakistan Services Ltd, and balance by Zever Petroleum. Under the company law, approval of 51% shareholders of a listed company is required before an investment can be made in an associated company. At no annual general meeting, approval of shareholders of Pakistan Services Ltd was sought to invest in Occidental.

Like Mansha and his associates who made a chain of inter-corporate investment to acquire privatized cement units, Hashwani painstakingly invested and divested in associated companies to reach the present heights. The controversial ICP loan which facilitated the take over of PSL provided him the bedrock on which he started building his empire.

In 1990, PSL decided to invest 1.5 million pound sterling (Rs 60 million) in a foreign subsidy named Pearl Continental Overseas Ltd which in turn set up another wholly owned subsidy called Pearl Continental Inc. It was Pearl Continental Inc which acquired 75% shares in Pak Properties of Tempa operating 200-room Embassy Suites Boca, Raton, Florida. It was against this hotel in Florida that Hashwani negotiated a loan from United Bank to acquire Occidental Pakistan.

Meanwhile the PSL management has paid only three dividends to shareholders, 20% in 1986, 10% in 1990 and 15% in 1993, although huge amounts were transferred abroad and new assets acquired by pledging PSL shares. Money was also being siphoned off quite openly to other companies of Hashoo group.

For example, PSL is being managed by another group company, Hashoo Holding Ltd, which is being paid Rs 4 million as management fee. Rent-a-car service at Hashwani Hotels and PSL is being provided by Pearl Tours and even the mineral water is supplied by an in-house company.

Hashwani family business currently stands split in three groups namely (1) Hashoo group headed by Sadaruddin Hashwani, (2) Hashwani group of Akbar Ali Hashwani and (3) Hassan Ali Hashwani group which was mainly been put together by Sadaruddin Hashwani “for my sons” i.e. children of late Hassan Ali Hashwani. These three groups comprise at least 40 companies.

Hahsoo group named after great grandfather is the biggest of the three and comprise of 27 companies, of which only three are listed on the stock exchange. The major non-listed companies include Zever Petroleum, Hashwani Hotels, Occidental Pakistan Inc bought for at least 50 million dollars and two subsidiaries in Europe and USA.

Hashwani and PPL

A brief background of the controversy that surrounds Pakistan Petroleum Ltd is appropriate to give the perspective of what Hashwani was bidding for, and why Asif Zardari was keen to that the deal got the required NOC from the Ministry of Petroleum.

Birmah Castrol Oil of Britain owned 63% interest in PPL which was operating Pakistan’s biggest Sui gas field. It also held 8.5% interest in the country’s second biggest Qadirpur gas field. PPL itself owned 7% shares in the Qadirpur field. Since 1985, Burmah Castrol has been trying to divest its shares in PPL since and Pakistan government had torpedoed two bids to sell its shares to Shell International in 1986 and to a consortium of Al-Barka of Saudi Arabia and Premier of UK in 1992, by refusing to issue the required NOC.

In 1992, when the federal government was inclined to issue the required NOC for deal between Burmah Castrol and Premier-Albarka, it was challenged by Hashoo group in Baluchistan High Court on the plea that such a strategic interest ought not to be sold to a foreing firm. The Court directed the Ministry of Petroleum to reconsider the whole issue after listening to the parties concerned. However, Burmah Castrol decided to withdraw its offer to Premier Oil and the matter came to a standstill.

Once Burmah-Premier deal was called off, Hashoo group approached Burmah for the said sale but without success because Burmah viewed Hashoo to be responsible for scuttling its deal with Premier Oil. However in 1995, Hashwani succeeded in striking a trilateral deal, through an intermediary, BHP of Australia. This is how it happened.

Hashwani has claimed that BHP was interested in acquiring the equity in Qadirpur Gas Field and thus, it was agreed by BHP and Castrol that BHP would preferably find a Pakistani buyer for the PPL and therefore, it approached Sadaruddin Hashwani and an agreement was reached. The agreement envisaged that BHP will acquire Burmah Castrol and PPL share in Qadirpur gas field and Hashoo will have the PPL interest in Sui and other fields. Thanks to Asif Zardari and Minister for Petroleum and Natural Resources, Anwar Saifullah, the deal was approved by Ministry. But a hue and cry in press and group of nationalist Pakistanis led by former Finance Minister Dr. Mubashar Hassan led to an intervention by President Farooq Leghari and cancellation of the deal.

The PPI deal was cited by President Farooq Leghari as an example of corruption of Benazir government in both his dismissal order and later in the detailed document presented to the Supreme Court.

The trilateral deal between Hashoo, BHP and Burmah can be interpreted or read in many ways, but it can be best explained by reproducing President Leghari’s comments in the reply to Banazir Bhutto’s petition filed in the Supreme Court, against the dismissal of her government.

“The conduct of Hashoo group, which enjoyed full support of petitioner’s (Benazir) government, was clearly malafide. A gas field whose intrinsic value runs into billions of dollars was being allowed to be passed on to Hashoo group and the shadowy individuals behind the group whose identity can be easily guessed. It (Hashoo) had opposed the deal between Burmah Castrol and Premier on the plea that natural gas reserves should not be allowed to pass into the hands of a foreign company, yet it sought NOC for the same deal without divulging the fact that two companies, one of them foreign (BHP) were proposing to take over the share”

For Asif Zardari, Anwar Saifullah, Hashwani and likes, it was an ordinary commercial deal between a buyer and a seller and therefore, the Government of Pakistan ought not to have intervened in the deal. It appeared a valid argument, but those peddling this argument would have ended up reaping billions of dollars in windfall at the cost of the common man in Pakistan.

The following facts were unknown till Khaild Anwar, the present Law Minister appearing on behalf of President Farooq Leghari gave details of a 15-year old deal between Pakistan Government and Burmah Castrol.

Khalid Anwar said that intrinsic value of Sui Gas field was 6 billion dollars and under the trilateral deal between Burmah, BHP and Hashoo, Sadaruddin Hashwani was getting the management of PPL for 24 million dollars.

But why was the Burmah Castrol keen to divest its equity in Pakistan Petroleum Ltd? He asked and went on to provide the answer himself.

According to the Khalid Anwar, Burmah Castrol was keen to find a buyer for its PPL shares because it was receiving a paltry return on equity held in the company which had been restricted to Rs 60 million per annum, under a Gas Purchase Agreement (GPA) signed between Pakistan Government and Burmah Castrol in 1982.

"This was one of the few agreements in which Pakistani bureaucrats succeeded to extract a good deal visa vis a multinational" Khalid Anwar said. An official of Ministry of Petroleum later told the author that the said GPA was a cost-plus agreement under which Burmah was allowed a repatriation of 25% return on its equity of Rs 240 million held in PPL.

Pakistan is already paying an unbearable price for the thermal policy of Benazir government. If PPL deal was bulldozed through the Ministry of Petroleum and Natural Resources, it would have played havoc with gas prices, landing the people of Pakistan in the clutches of national and international Shylocks, because those negotiating the purchase of PPL had their eyes fixed on the year 2002 and beyond when the PPL infrastructure will be used to store and market imported gas.

Chapter Two - Who owns Pakistan?

Corporate Quiz

> *Who owns Dentonic Limited. First company to be incorporated in Pakistan in 1947?*

They are Pakistan's super-rich, popularly known as the 22 families and their names, the Saigols, Dawoods, Habibs, Adamjees, Bawany, Hashwani, Sharifs of Ittefaq and Sheikhs of the Colony group are synonymous with enormous wealth and unbounded pelf.

There are two sets of the 22 families, the original 22 and the 22 families of the present era including unknown or little known Sargodha and United groups, the Chakwal group, Gulistan-Saphire, Rupali and Fazalsons.

On Dec 1, 1995, the top 43 groups owned 212 of the 522 non-financial companies listed at Karachi Stock Exchange (KSE) accounting for 43% of the total manufacturing assets, exclusive of the multinationals and the public sector enterprises. Out of 175 listed banking companies, modarabas, leasing and financial companies, 76 belonged these groups.

Their power was clustered in textile, sugar, cement, insurance, banks and modarabas while almost all the newly listed captive power plants belonged to these groups. Together they owned at least 122 textile mills, 19 sugar mills, eight cement plants, 12 insurance companies, 11 banks, 16 modorabas, eight leasing companies and seven power plants.

Like sheep these families have followed each other, one pioneering an industry and the other smelling profits coming on its heels. Last such fad was modaraba and the latest example of sheep-flocking has taken place in the power generation in which Mian Mansha was first to move and now almost every big group has its own captive power plant or has one on the anvil.

These groups own assets worth Rs 408 billion on KSE but what they own on the stock exchange is only a tip of the iceberg because in addition to the listed companies they own at least 370 unlisted public and private limited companies whose assets and turnover is not known accurately even to the Corporate Law Authority. A fair estimate of these assets would be Rs 500-600 billion for the following reasons.

A committee headed by former finance secretary H. U. Beg had found in 1993 that 38 groups in Pakistan were controlling assets worth Rs 380 billion. Like so many other reports of committees and commissions appointed from time to time in the past, the report of this committee has also been assigned to the shelves on the Corporate Law Authority to gather dust and no reference is ever made to its findings. The estimates of H

U Beg committee would seem grossly under-estimated in 1997 because of the massive growth in the private sector banking since 1993.

In post-nationalization era of the 1970, the leading industrial families resorted to Double D strategy of dispersing and diversifying, taking pains to camouflage their identity. A very glaring example is the House of Habib which was reported to have 90 companies in its fold in 1984 but I could identify only half of them.

The list of companies owned by the Ittefaq group, as found by the Beg committee included 19 companies with estimated assets of Rs 10 billion. I have identified at least 29 companies is this group. The efforts by big groups to cover their tracks are made easy by the absence of any law requiring them to disclose their assets, although for several years CLA has been toying with feasibility of requiring the groups to publish consolidated annual accounts.

In additions to the assets held in their own groups, several of these leading industrialists also own equity in the blue chip multinationals over KSE. For example, Babar Ali is Chairman, Hoechest Pakistan Ltd, Siemens and Lever Brothers and Kasim Dada is Chairman of Burger Paints. Smithkline and Brook Bond Ltd holding upto 25% equity in these companies. However, the equity in the multinationals is not taken into consideration while ranking them for this study.

At least five groups namely Saigols, Nishat, the Hashoo group, Fateh and Habib have revealed in interviews and annual reports to have companies incorporated abroad. Thus Nasim Saigol has Kohinoor England, Nishat has Nishat Europe and Newbury Mansha (Pvt) Ltd, Sadaruddin Hashwani has Tempa Pak Ltd, Florida, Habib have AG Zurich and Habibsons while Fateh group have subsidiaries in Hong Kong and Germany. Evidently, other groups too, must have incorporated companies abroad but no reference is ever made to them in their profiles and reports.

Lawrence J. White, in his book “The Industrial Concentration and Economic power in Pakistan” had estimated that on the eve of nationalization 43 groups or families owned 98 of the 197 non-financial companies listed on KSE, accounting for 53% of the total assets represented on the stock exchange.

The tables on the next page give a comparative picture of the 22 families in 1970, as found by Lawrence White, their position in 1990 as established by monthly Herald of June 1990 and their ranking in 1997 in WHO OWNS PAKISTAN?

22 Families in 1970, 1990 and 1997

22 Families in 1970

	No Name	Listed Assets Unlisted Assets	Total Assets (Rs. in Millions)
1	Dawood	557.8 -	557.8
2	Saigol	529.8 -	556.5
3	Adamjee	437.6 -	473.2
4	Jalil	419.8 -	419.8
5	Colony	325.4 -	342.7
6	Fancy	280.4 -	330.5
7	Valika	320 -	320
8	Bawany	237.4 -	237.4
9	Crescent	199.7 -	199.7
10	Wazir Ali	132.7 -	199.7
11	Gandhara	153.2 -	153.2
12	Isphani	90.8 -	154
13	Habib	128.1 -	136.2
14	Khyber	127.5 -	127.5
15	Nisaht	64.6 -	128.9
16	Beco	113.8 -	113.8
17	Gul Ahamad	21.1 -	109.2
18	Arag	32.4 -	105.4
19	Hafiz	100 -	105.3
20	Karim	95.4 -	95.4
21	Milwala	96 -	96
22	Dada	48 -	90.6
23	Hyesons	68.4 -	90.4
24	Premier	77.3 -	89.3
25	Hussain Ibrahim	88 -	88
26	Monnoo	79.9 -	79.9
27	Maula Bakash	58.9 -	79
28	Adam	45.1 -	78
29	A K Khan	74.9 -	74.9
30	Ghani	41.2 -	71.2
31	Rangoonwala	44.5 -	68.2
32	Harijanss	61 -	61
33	Shafi	60.2 -	60
34	Fakir Chand	59 -	59
35	Hasham	53.9 -	58.9
36	Dadabhoy	53.9 -	53.9
37	Shahnawaz	52.7 -	52.7
38	Fateh	48 -	48
39	Noon	36 -	46
40	Hoti	40.6 -	45.8
41	Dost Mohammad	20.4 -	45
42	Farooq	36.7 -	36.7

Source: Industrial Concentration and economic power in Pakistan by Lawerence White.

22 Families in 1990

S. No	Group	Assets (Rs. in Millions)
1	Habib	5781
2	Crescent	4237
3	Dawood	3265
4	Saigol	2618
5	Wazir Ali	2279
6	Nishat	2279
7	Saphire	1755
8	Lakson	1559
9	Fazalsons	1384
10	Gandhara	1344
11	Dewan	1344
12	Bawany	1213
13	Adamjee	1141
14	Al-Noor	1124
15	Ghulam Farooq	1091
16	Gul Ahmad	1066
17	Ghani	1034
18	Pakland	1006
19	Atlas	956
20	Hashwani	808
21	Service	734
22	Colony	728
23	Fazal	719
24	Fateh	458
25	Ittefaq	398

Source: The Monthly Herald June 1990.

22 Families in 1997

S.No	Name	Manufacturing Assets	Financial Assets (Rs. million)
1	Nishat	27,792	165,145
2	Saigol	15,202	9,004
3	Crescent	10,586	12,353
4	Dewan	10,113	--
5	Ittefaq	10,000	--
6	Chakwal	9,264	5,530
7	Habib	7,612	4,657
8	Saphire/ Gulistan	7,583	4,657
9	Gul Ahmad/ Al-Karam	5,220	915
10	Packages	5,168	12,822
11	Chakwal	4,592	5,530
12	Atlas	4,359	2,555
13	Hashwani	4,251	382
14	Bibojee-Saifullah	3,806	637
15	Dawood	3,780	1,605
16	Monnoos	3,605	--
17	Fecto	3,542	--
18	Lakson	2,876	--
19	Gatron	2,870	--
20	Fateh	2,843	--
21	Sargodha	2,743	--
22	Al-Noor	2,573	--
23	Ghulam Farooq	2,465	--
24	Ibrahim	2,333	336
25	United	2,237	3,644
26	Bawany	2,189	53
27	Zahoor	2,178	--
28	Schon	2,038	2,259
29	Dadabhoy	2,016	151
30	Jehangir Elahi	2,038	--
31	Fazalsons	2,000	--
32	Rupali	1,910	12,833
33	Servis	1,707	--
34	Yunus Bros	1,689	997
35	Tawkkal	1,678	644
36	Sitara	1,619	--
37	Colony	1,620	94
38	Premier	1,501	--
39	Shahnawaz	1,299	--
40	Sunshine/ Sunrays	1,265	--
41	Fazal/ Fatima	1,263	--
42	Calico	1,235	--
43	Tata	1,060	102
44	Raja	1,020	--
45	Nagina	1,013	--

A comparison of 45 groups in 1997 and 1970 reveals 24 new names which mean 24 shining stars of the 1970 have disappeared from the corporate horizon without leaving a trail. Those who have disappeared or do not rank among the top industrial families now, include Adamjee, Fancy, Valika, Isphani, BECO, ARAG, Hafiz, Karim, Milwala, Hyesons, Hussain Ibrahim, Maula Baksh, Adam, A K Khan, Ghani, Rangoonwala, Harijan, Shafi, Fakir Chand, Hasham, Khyber Textile, Hoti, Noon and Dost Mohammad. The new entrants who have replaced them are, Ittefaq, Dewan, United, Saphire, Gulistan, Atlas, Chakwal, Fecto, Hashwani, Gatron, Lakson, Rupali, Tawakkal, Fatima, Servis, Ibrahim, Sargodha, Elahi, Schon, Kohistan, Fazalsons, Sitara, Nagina, Tata, Shahnawaz and Zahur.

The 42 groups ranked by White in the 1970 included 24 Karachi-based groups, 12 from Punjab and five from NWFP while I could not place whether Dost Mohammad was based in Karachi or Punjab. On the other hand, the 1997 ranking include 24 groups based in Punjab, 18 based in Karachi and three based in NWFP. At least 15 of Punjabi groups were Chiniotis while there were nine Memons, three Ismaeeli Khojas but not a single native Sindhi or Baluchi group. In fact, it is difficullt to identify more than a dozen companies on the KSE except for a few sugar mills headed by a Sindhi or for that matter a Baloch Chief Executive.

The Karachi-based based groups have not only gone down in number but also in ranking. Except for Maula Baksh, Adamjee and Noon, all the families disappearing from the 1970 list were headquartered in Karachi. Adamjee, at number 3 in 1970 do not appear in the ranking based on manufacturing assets, Dawood, no 1 in 1970 has gone down to14th position, Habib at no 1 in 1990 has relegated to sixth position, Bawany and Gul Ahmad have fallen from commanding heights in the 1970 to the bottom of the list in 1997.

Three top and seven of the top ten positions in 1997 are held by business groups from Punjab but a fundamental and structural change that has taken place between 1970-97 is the fall of Memons and the rise of Chiniotis.

In 1970's every fourth company in Pakistan was owned by the Memons but in 1997 one in every seven companies listed on KSE belonged to Chiniotis. The two business communities of Chiniotis and Memons together own 206 of the 725 KSE companies.

The top 44 business groups of 1997 include 15 Chiniotis, 9 Memons, Three Ismaeelis, One Khoja and three Pathans from the NWFP.

As stated earlier in the chapter, ranking based on the listed companies does not reflect their actual economic muscle since they have consciously take steps to appear small, hiding a big part of their wealth in private and unlisted public limited companies. Although Ittefaq group has only four listed companies and Monnoos have none, it was possible to rank them because of government reports and estimates of the assets given out by the group members, in interviews or statements.

The main monnoo group headed by Jehangir Monnoo has up to 20 textile and sugar mills, big live stock and poltry forms. Several of Pakistan's biggest industrial families like the Tabanis, the Haroons, Kasim Dada, Chaudrys of Gujrat, Raja group of Industries and Jaffer Bros have none or just one listed company but their wealth is legendary.

Tabanis do not appear in ranking of the rich of the rich families either in the 1970 or 1990 but with an origin going back to early 19th century they are undoubtedly one of the richest families of Pakistan today. According to a group profile Tabanis had opened their offices in Japan, Singapore and London, as early as 1920. The group currently has ten companies its fold including a private airline and is general sale agent for Uzbekistan Airline and is also sole agent for Ukraine Airways, Turkmenistan Airways, Kazakhstan Airways and Volga Dnepr. The group enjoys monopoly in barter trade with the former Soviet Union and its exports in 1992 were valued at 300 million dollars. It owns and operates a hotel in Tashkent, is setting up a garment factory in Uzbekistan and a cigarette factory in another Central Asia Republic. However, it does not have a single company listed on the Stock Exchange.

Fazal (Fatima) group based in Multan is ranked at number 37 on the basis of five listed companies but comprises of 24 industrial units.

The House of Habib is corporate enigma. As stated in last chapter, its Habib Bank had provided a loan of Rs 80 million to Pakistan government. in 1947, Pakistan's first industrial unit, Dentonic limited was launched by Habibs, none of its manufacturing units was lost in Bhutto's nationalization or separation of East Pakistan and in 1984, it comprised 90 public and private limited companies. Judged by the yardstick of known assets, Habib group comes at number 7, even after Dewan and Saphire who were born as recently as 1970s and 1980s. Perhaps the low ranking of the House of Habib, disproportionate to the image of the Habibians can be explained by an article in the Souvenir published on the occasion of 50 years of Habib Bank which had observed that Habibian make considerable effort to "hide the light under a bush, in the religious belief strongly held that to win the pleasure of Allah is worth infinitely more than to seek the plaudits of the public."

Hashwani's Hashoo group is at 21 in the national ranking of the top 44 companies but the assets acquired by the group during first two years of Bhutto government. and the no of private and public companies in its fold tell another story. His catapulting under Benazir Bhutto is comparable to that of Mian Mohammad Mansha under Nawaz Sharif.

Adamjee, one of the biggest names of the 1970s could not end up at the bottom of the 45 families. But has the group really gone down, considering that it has 15 private limited companies but only 4 listed companies in its fold? The group operates Pakistan's biggest insurance companies with assets of over Rs 3 billion.

Big and Beautiful - But looking Small and Ugly

In addition to the top 22 families of the 1970 and 1990, there are several small groups who are rich and up to the hilt but have no or little presence on the stock exchange. They are like still waters that run deep, or icebergs with submerged tips. These groups include:

Adam Group: A Memon group with only two companies. Adam Sugar Mills and Premier Textile listed on KSE. It is known as one of the biggest importers and dealers of tea in Pakistan.

Avari Group: It comprises Spencers, Beach luxury hotel, newly set up Beach Brewery and Avari Hotels at Karachi and Lahore. The group also holds “management contracts for Avari Hotel at Totonto, Dubai and Sharja.

Chaudry Group: Croup of Ch. Shujaat Husain comprising of at least ten companies including four sugar mills namely Punjab Sugar Mills, National Sugar Mills, Phalia Sugars and under construction Nayyar Sugar Mills as well as Impak International, Cee Bee Industries, Modern Embroidery Textile Mills and Kunjah Textile Mills. Chaudry Shujaat Hussain and his close relatives are known to be operating carpet manufacturing plant at Jabl-e-Ali in UAE and two carpet manufacturing units under Nayyar Industries Ltd at Gujrat and Lahore. Chaudry Shujaat Hussain’s arch rival Ahmad Mukhtar claimed during the 1993 election campaign that Chaudries of Gujrat have set up business in Far East including a hotel.

Chinab Group: It is an export oriented Chanioti group which has been winning PFCCI Export Trophy for several years. Starting with export of Rs 88 million in 1987, exports by the group rose to 2,219 million in 1997. The companies in the group include Chinab Fabrics and Processing Mills Ltd, Chinab Fibres Ltd, Chinab Cotton and Oil Extraction Ltd, Faisal Weaving Mills Ltd, Latif Weaving Mills, Chinab Garments Ltd and Chinab Exports Ltd. Chinab group was part of National group of twelve industrial families who acquired MCB in 1991.

Dimond Group: A chinioti group headed by Tariq Shafi, a member of National Assembly from Karachi. The group has only one company listed on KSE.

DSI Goup: The group started in 1974 by setting up a 100% export oriented company but now comprising of four units. (A) DSI Corporation, (B) DSI Corporation (Pvt), (C) DSI Household Linen(Pvt) and (D) Messers Mohammad Amin Mohammad Siddique. Its total exports in 1996 stood at Rs 654 million which won it best exporter award from PFCCI for third year running, in the field of cotton knitted products.

Sahaf Group: Headed by Salahuddin Sahaf had a turn over of Rs 400 million in 1994. It comprised of 1) Shahdin Ltd 2) Sahaf Enterprise, 3) Tush Private Ltd and 5) Iqbal Qamar (Pvt) Ltd.

REDCO Group: Headed by Senator Saif ur Rehman comprising seven companies including three Pre-Fab Construction companies in the Middle East, REDCO Textile Mills and Construction Companies in Pakistan. The group has its head office in Abu Dhabi and holds the franchise for BMW luxury cars in Pakistan.

Qaisar Group of Companies: A rapidly growing industrial conglomerate from Chiniot whose chairman Qaisar A. Sheikh has been elected member of the national Assembly from Jhang. The group has set up a modern chemical complex, Qaisar Lucky Chemicals at Sheikhupura in collaboration with South Korean company and is active in the import of plastic resins, iron and steel and export of rice.

Riaz Bottlers: Headed by Senator Humayun Akhtar Abdul Rehman known as Dollar Khan in Lahore. It comprises JDW Sugar Mills, Tandianwala Sugar Mills, Superior Textile Mills and Riaz Bottlers. The group is on the verge of setting up a 4,000 tons per day Pepcon Cement Project.

Saifullah Group: Comprising at least 11 industrial units including Lucky Cement, set up as a joint venture with Yunus Bro.

International Multi-Group: Comprising at least 9 companies including three, Associated Industries, Alliance Textile and International Multi-Leasing listed on KSE. The six unlisted companies include International Muti-Food Ltd, International Multi-Trading Corporation, Quality Food Products (Pvt), Multi Tex and Dan Pak Ltd, Tri-Star Group: operates Pakistan's biggest Shipping line in the private sector.

Late Mahboob Elahi: Of Asian Food Industries who declared his personal wealth to be in excess of one million dollars in 1993-94

Noor Elahi Group: comprising at least eight companies is active in beverages, hoisery and textiles.

Inam Elahi: Has at least four textile mills, Firdous Textile, Nusrat Textile, Janat Textile and Fatima Textile.

Mohammad Ahmad Group: comprises Yusuf Textile, Sunrays Textile, Indus Dying and Manufacturing, Gailwal Cotton Mills.

Nawab Ahmad Group: Owns at least 3 textile units, SANA Industries, Sanaullah Modaraba and Sanaullah Woolen Mills.

JKB Group: Jhangir Anwar (JA) and Khurshid Anwar (KA) are leaders of Pakistan Cotton Fashion Apparel manufacturers and exporters. The two brothers and their sons recently split into KJB and JKB groups. JKB group has been winning FPCCI Export Trophy for several years and accounted for exports worth Rs 1 billion in 1996-97. The group comprises of at least seven companies namely 1) JK spinning Mills (formely Zeeshan Textile) 2) JK Fibre Mills (formely Shahid Textile Mills) 3) JK Energy Ltd 4)

JK Tech (Pvt) Ltd 5) JK Sons (Pvt) Ltd 6) JK Pesticides (Pvt) Ltd 7) Fine Fabrics (Pvt) Ltd. The JKA group comprises 1) JK Brothers (Pvt) Ltd 2) Razia Textile Mills, 3) Abid Faiq Textile Mills and 4) JA Textile Mills.

Naveen Group: Another export-oriented group comprising (1) Naveen Industries (Pvt) Ltd, (2) Sakina Textile Mills (Pvt) Ltd (3) Naveen Exports (Pvt) Ltd and (4) Ahmad Oriental Textile Mills.

One can go on listing the names of persons and groups who have unlimited resources at their disposal and avail privileges for which ordinary taxpayer pay. It is these people and their like who own and operates Pakistan.

The Ethnic Divide of Business

As early as 1960 and 1970, Prof Gustav Papnek of Boston University and Soviet scholar Sergi Levin took great pains to establish the ethnic background of Pakistan's leading business elite, evidently because they foresaw that ethnicity of the insiders (the sons of the soil) and migrants was to play a central role in the economic and social well being of the people of Pakistan. The clash between the insiders and outsiders was slated to have a disastrous effect on the psyche of Pakistani businessmen and economic development of the country.

Papanek established that almost all the major industrial families of the post-independent Pakistan belonged to five ethnic groups i.e Memons, Dawodi Bohras, Khojas, Punjabi Sheikhs and Chiniotis. The top 42 industrial groups ranked by him included only six, Hoti, Premier, Packages, Ghulam Farooq, Colony and Noon having roots in areas that now constitute Pakistan. All other were migrants and were active on the other side, in pre-independent India.

The morale of these business communities was to become critical to Pakistan's economic development or lack of development in post-Bhutto era. It continued to be so even in 1977. Three of the five communities identified by Papanek i.e. Khojas, Bohras and Memons had their roots in the Indian port city of Gujrat and made Karachi their home in post-independence Pakistan. Ironically, of all the Karachi-based businessmen only Razak Dawood shifted to Lahore when others of the flock preferred to shift abroad during the adverse days of Zulfikar Ali Bhutto.

Razak Dawood-A Memon in Lahore.

Razak Dawood presently heads Pakistan's biggest construction and engineering conglomerate known as Descon group with an estimated turnover of at least Rs 4 billion and a roaster of impressive clients. Descon has won contracts in Abu Dhabi, Saudi Arabia and Iraq and is perhaps the biggest Pakistani company abroad employing over 1,000 people.

Razak is a scion of Dawood family which was ranked first among the 22 families in 1970. In the wake of Bhutto's nationalization Ahmad Dawood and Sadiq Dawood left Pakistan and established their business in USA and Canada respectively. The family split in 1981 into what is now known as the Dawood, BRR, Descon groups of three Dawood brothers and a relatively unknown Ghani group based on the share of in-laws of Ahmad Dawood. Razak's father Suleman Dawood inherited Transpack and United Refrigration and Razak, a mining engineer from Newcastle University, UK decided to make Lahore his home and concentrate on developing Descon Engineering, then a small family business launched in 1978. During last ten years, Descon has completed jobs at some of the biggest projects in Pakistan like Hubco, ICI, PTA Plant, Fauji-Jordan Fertilizer and AES Lalpir Power Plant. Razak believes that big business failed to face the challenge of anti-business policies of Zulfikar Ali Bhutto by running away from Pakistan and ultimately resorting to division of assets and splits. "Normally when there are external problems, families get united. Here they did not. They just went away", he said in an interview with the author.

He thinks that Pakistan is rapidly becoming a nation of traders since nobody wanted to play for long-term in Pakistan. "Politicians want short cut to power, industrialists want short cut to money and bureaucrats want short cut to top. The government policies are revenue-oriented rather than development-oriented. When everybody is playing for the short term, how can you have long-term investment projects?" He asked.

In September 1994 when Benazir Bhutto government constituted a Committee for the Engineering goods Industry, Razak was a member of the committee and was asked to prepare an inventory of both the short and long term problems of the engineering industry. More recently he has been appointed a member of the Engineering Development Board, by Nawaz Sharif government.

At the round-table conference in Lahore in September 1994 presided by U.S Energy Secretary Hazel O'Leary, Razak spoke about the need to provide protection to the engineering industry and particularly referred to a deletion programme for power plants that had been in place for several years and for which large capacity was set up in the public and private sector. He was snubbed by O'Leary who said without mincing words that in the event Pakistan insisted for deletion the American investors will go elsewhere.

Karachi vs Punjab.

The nationalization of key industries by Bhutto robbed Memons of the confidence and security that is vital for making long-term investment decisions, particularly because several of them had been dislocated and uprooted more than once. For example Adamjee had migrated from Gujrat in India to Rangoon returned to Delhi, shifted bulk of their business after partition to East Pakistan. Thus the losses suffered in East Pakistan and nationalization made these communities and their leaders bitter and insecure, with the result that in the post-nationalization era they resigned themselves to milking the existing units rather than risk new investment.

During the post Bhutto era of Zia ul Haq, Sindh remained politically volatile and old Karachi-based businessmen, with the exception of one or two felt themselves officially discriminated against the Punjab-based group.

In interviews with the author, Yusuf Haroon and other business leaders like Farooq A Sheikh, Mian Habib Ullah, Nasim Saigol and Razak Dawood representing rival business groups and communities have talked about the effect and “scars” that Bhutto’s nationalization inflicted over psyche and thus investment decisions of Pakistan’s industrial barons. Yusuf Haroon bitterly accused Zia of step-motherly treatment to the Karachi businessmen particularly the Memons who had led the first wave of industrialization in Pakistan under Ayub Khan. Farooq Sheikh conceded that the flight abroad of the Memons and their reluctance to make long-term investment became a windfall opportunity for the Chiniotis who dominate Pakistan’s economic and industrial landscape today.

Apart from the statements of these business leaders, statistics also reveal a major shift of investment from Karachi to Punjab in the 1970’s that can be attributed to the nationalization of Zulfikar Ali Bhutto but was compounded by a bloody confrontation between the urban and rural Sindh, in which the people of rural Sindh were totally alienated from the military government of General Zia. His policies fostered a sense of deprivation among the natives which further deteriorated the climate of investment in the province. Among other things this shifting of industrial activity from Karachi to Punjab, while people from all over Pakistan continued to flock to the port city, turned Karachi into the social and demographic quagmire that it has become today.

Since the creation of Pakistan in 1947, the no. of companies incorporated in Karachi, every year, was far greater than in Punjab till 1978, the first year of Zia when 273 companies were incorporated in Punjab against 275 for Karachi. For three years Karachi and Punjab were neck to neck but there was no looking back for Punjab after 1982 when for the first time in Pakistan’s history, the annual incorporation of companies in Punjab exceeded that of Karachi.

The geographic location of the companies listed on the stock exchange also confirms the trend of shift of manufacturing industries from Karachi to Punjab, specifically to Lahore and Faisalabad. On January 1, 1997, only 184 if the 550 listed companies engaged in manufacturing activities were located in Karachi and Sindh, of which 91 were incorporated before Bhutto era. On the other hand, only 44 of the 250 listed companies engaged in manufacturing in Punjab belonged to the pre-Bhutto era.

Memons - the Sailor Businessmen of India

History books have often described Memons as “the sailor businessmen of India” who had fanned out of native Gujrat in the 18th century, making abodes and setting business in Indian cities and far-off places in the Asian and African continents. By the end of 19th century, a sizeable Memon community was reported to have entrenched itself in Burma, Sri Lanka, Far East and countries in East and South Africa.

The origin of Memons can be traced to 14-15 century when a follower of Syed Abdul Qadir Jilani namely Syed Yusufuddin alias Yusuf Sindhi visited India and converted several thousand Hindu families in Kathiawar, Kutch and Thatta in Southern Sindh to Islam. The new converts of Thatta, mostly Hindu Lohanas were forced to migrate because of the persecution by the native Hidus. One group of the migrants went to Harar in Saurashtar and came to be known as Hali Memons while another group settled at Kutch in Gujrat and was designated as Kutchi Memons. It is said that Yusuf Sindhi called the new converts “the Momis” (The exemplary Muslims) which over the years became Memons.

A mass settlement of Memons and other Muslim business communities of Gujrat throughout India started towards the end of 18th century and it was perhaps during this period that ancestors of Haroons, Dadas and Hashwanis migrated from Gujrat to settle in Karachi, entrenching themselves in the local business.

In 1960, the Memons had a population of 150,000 living in Pakistan and an equal number in India where they had set up All India Memon Foundation in 1984. They have associations in Pakistan, Mauritius and Tanzania and according to the United Memon Jamaat of Pakistan, their current population in Pakistan and abroad stands at 4 million.

Being a minority and saddled with apprehensions of persecution, the Muslim business communities of Gujrat felt protected under British rule and had strong business ties with them, as is evident from number of title holders among the Memons like Sir Abdullah Haroon, Sir Dawood Adamjee and Sir Sultan Chinoy. Adamjees, Haroons, Jaffers, Abu Bakr, Tabanis, Karims and Dadas had developed business arrangements with several leading English monopolies much before partition of India. Karims had set up their offices in Hong Kong, Japan and countries of the Near East while Abdul Sattar Ahmad, a member of Karim group had shifted to Japan as early as 1940 to look after the family business in South East Asia. He was chairman of the Muslim community and vice chairman of Muslim Mosque Committee in Tokyo before migrating to Pakistan to set up Ahmad Abdul Ghani Cotton Mills Karachi in 1951.

Haji Habib Ahmad of Bantva, later known as Seth Habib Araqwala is reported to have set up 50 branches of his grain import-export business all over India, by the time Pakistan came into being. Adamjee were operating world’s biggest jute mill employing 30,000 poeple and Dawood owned Karnaphuli Paper Mills, the biggest pulp and paper project in South Asia.

Kasim Dada today has only two companies listed on the stock exchange, his name does not appear in the 22 families or anywhere in the income tax or wealth tax directory, yet undoubtedly he is the single biggest investor on Karachi Stock Exchange. He was perhaps Pakistan’s first industrialilst to own a private Cesena plan in the 1960’s in which he used to fly down to his cement factory in Hyderabad. His ancestors had set up the well known firm of Dada Abdullah and Company which sent M K Ghandi popularly known Mahatama Gandhi to South Africa, as their legal representative in the 1890.

While taking about the wealth and economic powers of the Dada family Sergey Levin observed in his article, the Memons of Pakistan published in 1975, that “one of the oldest commercial houses of Memons is the Dada Commercial House. Long before the formation of Pakistan, the ancestors of present day proprietors established a group of trade and industrial enterprises in India, Burma, South Africa and countries of Near East. In Pakistan Dadas were among the major importers and exporters, at the same time to a considerable extent retaining their interests in other countries including India. The Dadas also founded a great number of industrial enterprises in Pakistan including Asbestos Cement plant in Karachi, Hyderabad and Chittgong, three textile companies, Oil Mills, Cotton and chemical plants. But Dada’s share in Pakistan’s big business must not be judged only on the basis of the enterprises which they control directly. The point is that the Dada’s who have continuously held ruling positions in Karachi Stock Exchange have made wise use of concealed form financial control. They are junior partners in number of Pakistani and foreign monopolies and all this provides a basis for including the Dada’s among the 22 monopoly families in Pakistan.

M. A. Rangoonwala, now settled in Malaysia and engaged in the export of palm oil to Pakistan was the Memon of the Memon community. Born in 1924 in Burma, he had lived like a migratory bird, leaving deep footprints at every stop. He came to Bombay in 1934 from Rangoon to set up his family business, migrated to Pakistan in 1947 and by 1970 his Rangoonwala-Bengali group comprised 30 companies relating to textile, food, chemical, and woodworking and timber trade. He was president of National Bank of Pakistan for seven years and represented on the board of 40 companies not belonging to his group.

Haroon’s great grandfather had migrated to Karachi in 1858 and entered sugar and old clothing business in which they made big fortune in 1901. Sir Abdullah Haroon was known as the Sugar King and his residence Seafield in Karachi became the centre of Pakistan Movement in Sindh. At the time of his death in 1942, Sir Abdullah Haroon was known among the wealthiest families of the subcontinent and his son Yusuf Haroon was Mayor of Karachi.

Because of their head start in both business and politics, Memons emerged as the most powerful of all the industrial groups in Pakistan between1947-71 and Sergy Levin claimed that every fourth private factory in Pakistan in the 1960’s belonged to a Memon businessman. Lawrence White ranked Dawood as number one among the top 22 families and his list included seven Memons among the top 22 and 13 among the top 42 families in Pakistan.

Earlier we have stated that several leading families resorted to Double ‘D’ strategy of Digging and Diversifying and covering their tracks in the post Bhutto era. Several of the celebrated families of 1970, therefore are presently operating in a very unobtrusive manner. It was during Bhutto era and immediately afterward that a number of them carried out a division of assets. In many cases, this division of assets resulted, as a strategy rather than from family feuds.

The decline of Memon power can be judged from the fact that in 1970, Haroons had 20 companies in their fold, Adamjee known as the Jute King had majority shares in 30 companies, Bawany's controlled 20 companies, Valika had 20 companies, Dadabhoys 17, Jaffer Bros 17 and Karim 14 companies.

Today Rangoonwala-Bengali group, Haroon, Jaffer and Karim have one company each listed on KSE and the number of Memons and their ranking among the top 22 families has drastically gone down as compared to the 1970's.

In 1971 there were 13 Memons among the top 42 including Adamjee, Dawood, Bawany, Gul Ahmad, Karim, Rangoonwala, Haroon, Hussain Ibrahim, Ghani, Adam, Dada, Dadabhoy, Hasham but in 1995 their number among the top 45 has been reduced to seven i.e Dawood, Gul Ahmad, Bawany, Al-Noor, Fecto, Tawakkal and Yunus Bros. Ten of the top Memon Groups from 1970's have disappeared. Three among the survivors have drastically have drastically gone down in ranking while four new Memons groups have joined the ranks. Dawood on top in 1970 is now at number 8, Gul Ahmad at 9 and Bawany at 23.

Several leading Memons industrialists like Adamjee, Jaffer Bros and Fecto who were in process of setting up fertilizer factories and tractor plants in the 1970 had to abandon these because of the nationalization order. Investments by Memons was switched off, as if the leaders of Memon community held a meeting and decided to invest no more in Pakistan. The only projects of some industrial consequence set up by the Memons during last 25 years are Poineer Cable by Bawany and Pakistan-Synthetic by the Al-Karam group.

Memons are finished in Pakistan?

"Memons are finished in Pakistan. They have been wiped out deliberately" maintained Yusuf Haroon, the top Memon industrialist and first chief minister of Sindh after independence in 1947, in an interview with the author. He now lives in New York, in a flat overlooking Central Park and has business interests in the United States.

> *"Such a waste, all for nothing", he murmured in an incoherent voice while talking about the feverish movement for independence of Pakistan.*

Haroon was bitter with the Punjabi politicians and rulers starting from the Nawab of Kalabagh, Zia-ul-Haq to Nawaz Sharif who wielded influence in Pakistan at different times as absolute monarchs but failed to unite the country because of their chauvinism and narrow mindedness. He believed that the seeds of discontent against the federation were planted in smaller provinces with the shifting of capital to Islamabad and claimed that immediately after Pakistan was born and he was appointed chief minister of Sindh, Quaid-e-Azam asked him to look for a site to shift the capital from Karachi, Liaqat Ali Khan even visited and favored a site proposed by him in Baluchistan, about 200 km from Karachi on the Arabian Coast.

A capital in Baluchistan would have generated employment opportunities for the native Baluchis and incoming Mohajir population and served Pakistan from many ethnic problems it was facing today, he argued. He claimed that it was Nawab of Kalabagh who prevailed over Ayub Khan to shift capital to Islamabad.

Haroon blamed Zia, for boosting Punjab out of proportion and launching a “systematic discrimination” against Karachi businessmen. Sindh in particular under which Licenses, Credit and Raw Material was monopolized by the Punjabi industrialists.

“Yes, several leading Memon businessmen fled from Pakistan. They were afraid of the Punjabi domination and possible nationalization”, he concluded.

Note: Following is description of Memons by Gustav Papanek in “Interest Groups and Development”:

The largest community to migrate to Pakistan was Halai Memons from Gujrati towns of Bantva, Dhoraji, Kutiyana and Vanthali. These Memons were Sunni Muslims of Hanafi school known for their specialization in the Kirana (spice) and textile trades. They were extremely cohesive, frugal, hard working, well-defined into family groups and had an overwhelming commitment to their traditional occupation of commerce either employees or as self-employed. Only a handful had left their traditional pursuits to become doctors, lawyers, engineers and civil servants. Memons had an extremely high sense of community identity, spoke

Gujrati and tended to be organised on the basis of ancestral residency. They were specially strict about community endogamy based on township of origin and had well organized and developed community associations to enforce marriage rules and to moderate group conflicts. They were socially conservative and religious devout with a large number of hajis among their members. As a community roughly 100,000 Memons ranged across the entire socio-economic spectrum from very poor to very rich.

The Memons settling in Karachi moved quickly to fill the gaps left by the departing Hindu traders. They took over the textile importing business which had previously been the speciality of Hindu traders from this base as textile importers; they expanded quickly into textile manufacturing. From textile they moved into banking, insurance and the production of other consumer goods. Within a short period the Memons had become the most prominent business community.

Will the Memons Rise from the Ashes

The Memons are a bitter lot in Pakistan today. Several of their elders and leaders like Yusuf Haroon, M. A. Rangoonwala, Jaffers and Dawood have moved or shifted their business abroad and those who have not done so lament the loss of their leadership role and the decline of their economic power.

“The pre-privatization era, especially Ayub’s decade, saw a surge in industrialization with a fervent zeal. In another two decades Pakistan would have been ranked with Japan. Also the dwarfs in the political field conspired to dismember the country. Pakistan lost a lot of industries. And the Memons suffered the most. But did they complain? Oh, No. Alas, then the chairman from Larkana got his priorities all wrapped up and succeeded in injecting a lethal dose in the veins of country’s industrial base by rashly nationalizing industries. And the Memons suffered the most. But did they complain? Oh, No. They changed their course and were back in other spheres of business doing what they did best. Excel. Like the Phoenix, they always rise from ashes. And they always “will, wrote Majyd Aziz, a self-proclaimed,” proud Memon businessman.

An opportunity rose after the 1997 elections to bring the Memons back into the investment mainstream when Memon businessmen from Karachi responded to Nawaz Sharif’s call for donations and contributions for National Debt Retirement Fund and Abu Bakr Sheikhani, president, Muslim League Karachi, pledged donation and deposit of 50 million dollars on behalf of the Memon business community. Appeals in newspapers on behalf of the Memon businessmen urged Nawaz Sharif to award a Senate ticket to Sheikhani. But other consideration weighed more heavily with Nawaz Sharif and Sheikhani was not given the ticket. With the result that Pakistan’s biggest business community lacks representation in Nawaz Sharif governmentt and the government lacks their whole-hearted support. On the other hand, Chiniotis have at least two known parliamentarians namely Tariq Shafi and Qaisar A Sheikh in the national assembly.

Ever since the creation of Pakistan, the Memons, Ismaeelis and Chiniotis have quietly fought their wars, away from the public eyes, to dominate the economic landscape. There was a gas-war between the Ismaeelis and Memons in the 1960 when A. K. Soomar, in cooperation with the Fancy group started work on Farooq Textile Mills, the first non-Memon textile mill in Karachi. A detailed account of the gas-war has been given by Sergey Levin in an article, “The uppper bourgeoisie from the Muslim commercial community of Memons in Pakistan 1947-71.” According to the account Fancy group could not build a textile mill in Karachi because of the opposition by Memons who had monopoly of the textile trade. However Fancies controlled the Karachi Gas Company which was supplying gas to textile mills. On the pretext of objective difficulties, fancies raised the prices of gas which were brought down to the previous level only when they had their textile mill.

During first Nawaz government, All Pakistan Textile Mills Association (APTMA), not just came to be dominated by Lahore-based textile tycoons, it was split between the Lahore and Karachi groups. The Karachi faction was headed by Mohammad Ali Pakolawala of Gul Ahmad Textile while the Lahore faction was headed by Mian Mohammad Mansha.

The caretaker government of Moeen Qureshi appointed Mohammad Ali Pakolawala as Chairman, Export Promotion Bureau but soon after elections, Benazir Bhutto came into power for second time and Pakolawala was replaced by a Chinioti businessman and industrialist Mian Habib Ullah.

The tug of war between the Memons and the Chiniotis is quite open and intense. The Memons call the Chiniotis "the Nouveau Riche" and to the Chiniotis, the Memons are "that lot of Pakistani businessmen and industrialists who have shifted a lot of wealth abroad."

The companies owned by Memons on KSC

S. No	Name	No. of Companies
1	Dawood	16
2	Bawany-Alnoor	11
3	Gul Ahmad-Al Karam	9
4	Dadabhoy	5
5	Kasim Dada	4
6	Fecto	4
7	Tawakkal	8
8	Prudential	6
9	Karim	3
10	Hasham	2
11	Latif Jamal	2
12	Ghani	2
13	Adam	2
14	Yunus Bros	1
15	Haroon	1
16	Jaffer	1
17	Bengali	1
18	H A Dada	1
19	H A Dadabhoy	1
20	Suleman Haji Omer	1
21	Gatron	1

The Rise of Chiniotis

"We serve by setting up industries" Mian Habib Ullah

Chiniot is a small town of 200,000 inhabitants, on the banks of River Chenab, in district Jhang in Southwestern Punjab famous for the trading skill of its people, popularly known as the ancestral homes in their native town, and then Chiniot might have the biggest concentration of millionaires per square yard in the world.

Ironically not every resident of Chiniot is entitled to call himself a Chinioti and this description is reserved for only those and their descendants who migrated to far off Indian cities in the late 19th or early 20th century, to eke out a living for themselves.
Those who stayed back, to live on agriculture, even today are not Chiniotis but Kazis and Syeds.

Out of 100,000 people who proudly call themselves Chinioti, only 5,000 live in Chiniot and an estimated 2,000 of them are still living in Calcutta where they had the biggest concentration in the undivided India, with pockets at Kanpur and Madras. Compared to the Memons who had sailed to far off places, as early as 18th century, the Chinioti's migration was limited to India and today they pride themselves in the fact that they have not shifted abroad.

At the time of partition, Chiniotis were mostly rooted in leather, hides and skins trade and there was only one Chinioti group, Mohammad Ismaeel Maula Baksh group which had ventured and Haji Sheikh Maula Baksh who had set up their first ginning factory in 1889 and by 1946, when they split, the group comprised 14 ginning factories, four flour mills and oil extraction plants. The remnants of Maula Baksh group are still active in the Sunshine group of Aftab Ahmad Sheikh.

Muhammad Ismaeel Maula Baksh and Company was the parent company of the group with branches in Multan, Mian Chonu, Shamkot, Khanewal, Toba Tek Singh, Amritsar and Sarhand Sharif. Every factory was adorned with a crescent and star proclaiming proudly that it was owned by a Muslim, Farooq A Sheikh of Colony group recalled in an interview.

Colony group had started work on Colony Textile Mills at Multan in 1945 and Sheikh claimed that it was first textile mill to go into operation in independent Pakistan, followed on the heels by Valika Textile Mills in Karachi.

"The state of industrial development in 1940 can be imagined by the fact that Colony group shifted to Multan from Faisalabad to avoid competition with Delhi Cloth Mills of Sir Sri Ram, as two textile mills were considered as too many for Faisalabad, called the Manchester of Pakistan today", Sheikh recalled.

Mohammad Ismaeel had four sons, eldest Aziz A Sheikh followed by Naseer A Sheikh, Farooq A. Sheikh and youngest Mughis A. Sheikh. Like so many other industrialists, members of the Colony group also became active in politics, owned equity in newspapers and contested elections. Naseer A Sheikh was on board of Civil and Military Gazette and Nawa-e-Waqat while Farooq A Sheikh contested elections for the national assembly in 1970.

Colony was ranked among the top ten groups in Pakistan in 1970, with up to a dozen manufacturing companies under its umbrella while Maula Baksh group was ranked 27th by Lawrence White. In 1970, Maula Baksh group comprised F P Textile Mills, Peshawar, Absorbents Cotton Plant Multan, Second Linter Plant Multan, Sukdev Baksh Flour Mills

Multan and cotton ginning factories at Mian Chonu. The group also held equity in Multan Electric Company and all the units in its fold were managed by the principal company of the group, Maqbool & Company.

Dost Mohammad Monnoo and his brother Mian Nazir Hussain had set up Olympia Rubber Works at Calcutta, in pre-partition India which was exchanged for a textile mills at Tongi, Dhaka whose name was changed to Olympia Textile Mills. Another unit Olympia Textile Mills-2, Nabi Ganj, Naryanganj was added to it but the death of Mian Nazir Hussain in 1959 led to the split of the family assets. Three sons of Mian Nazir Hussain namely Kaisar Monnoo, Shahzada Monnoo and Jehangir Monnoo are leading the main Monnoo Empire today comprising at least 20 industrial units and a 500 acre Olympia farm. The Monnoos held the franchise of Toyota motor cars in Pakistan and had plans for their progressive assembly and manufacture when Bhutto's nationalization scuttled all such plans.

At present, the Kaiser Monnoo group is made up of at least 15 textile mills with 175,000 spindles and assets totalling Rs 3 billion. A splinter is headed by Mian Munir A Monnoo who migrated from East Pakistan in 1971 and set up Olympia Textile in the name and style of the factory left behind in East Pakistan.

By 1970, very few of the Chiniotis had branched into heavy industry with the result that losses suffered by the Chiniotis in East Pakistan and Bhutto's nationalization were not heavy, as compared to the Memons.

Saphire-Gulistan and Monnoo suffered some losses in East Pakistan but apparently they had managed to salvage some of their investment in time which helped them is settling themselves afresh in the Western wing. Two other Chiniotis Mohammad Salim and Sheikh Mohammad Nasir of United group also lost their Usmania Glass Factory at Chittgong.

Mian Mansha narrowly escaped the effects of the fall of East Pakistan and nationalization since a family division had taken place in 1969 after the death of his father Mian Mohammad Yahya and the bulk of the assets in East Pakistan was inherited by his uncles. Saigols had migrated to Calcutta in 1890 from Chakwal and are known as Punjabi Sheikh but Prof Pervaiz Ahmad of Islamia College, Chiniot claimed in an interview with the author that they are one of them, basically from Kot Shakir in Chiniot, going back to the days of Sher Shah of Sur.

Prof. Ahmad claimed that Chiniotis comprised different castes including Vohras, Maghoons, Mannoos, Vadhavans and Saigols and pointed out that several Saigols are represented on various organizations set up by the Chiniotis. Biographical Encyclopedia of Pakistan, 1970 carried biographical sketch of one Shafiq Saigol of Chiniot who had set up Bengal Belting Corporation and several other industries in East Pakistan before 1970. It also carried biographical sketch of one Vohra Chinioti, Abdul Majid of Khotian (The native town of Saigols) who had set up a shoe factory in Calcutta and a rubber factory in Dhaka).

Whether Saigols are Chiniotis or not, there have been inter-marriages between the Saigols and prominent Chinioti families particularly Monnoos.

Bhutto's nationalization - A Blessing in Disguise for the Chiniotis

In 1970 there were only five Chinioti groups among the top 42 families including Colony at no 5, Crescent at no 9, Nishat at 15, Monnoos at 26 and Maulabaksh at 27. However while nationalization shattered the will of the Karachi-based groups to invest in Pakistan and triggered a flight of capital, it proved to be a blessing in disguise for the Chiniotis who had been hitherto disadvantaged for lack of access to banking and other facilities.

In 1997, Chiniotis had 14 places among the top 45 groups controlling at least 110 companies at the KSE. There are several other Chinioti groups like Mahboob Elahi, Diamond, Guard, Kaisar group of Kaisar A Sheikh, MNA, Kaisar Apparel group and JKB which are known to be immensely rich but have little or no presence at the stock exchange and therefore, it was not possible to rank them.

While other business communities resorted to flight of capital, Chiniotis made progress after 1970 because the flight of Memons and other Karachi-based groups created a vacuum that they were than willing to fill.

"Nationalization affected different business groups differently and in different degrees of severity ", recalled Farooq A. Sheikh of Colony, the major Chinioti group to suffer in nationalization. He argued that insecurity had become the part of the Memon community's psyche because they had suffered greatly in partition and have failed to be anchored in the troubled waters of local politics, while Chiniotis benefited immediately, psychologically and otherwise since partition created an environment conducive to their return to native land.

The PPP manifesto had envisaged nationalization of big textile units and therefore the people who had already set up textile units between 1947-71 stopped further investment. This created a vacuum. A surge in the domestic and international demand for textile coincided with an era of import liberalization coupled with high tariff, ensuring lucrative returns, with the result that Chinioti who had very few textile mills up to that time but plenty of money entered the textile business. Almost all the Punjab-based groups of post-Bhutto era like Saphire-Gulistan, United, Tata, Fazalsons, Fatima and Sargodha have their roots in the textile units set up during Zulfikar Ali Bhutto government or immediately after him.

Thus nationalization became a God sent opportunity for Chiniotis who were sons of the soil, had not been hurt in East Pakistan and had the skills to step into the shoes that had fitted only Memons in post-independence Pakistan.

Nawaz Sharif and Chiniotis

Few months before Nawaz Sharif came into power in 1990, an article in the monthly, Herald about the 22 families ranked Habib to be number 1, followed by Crescent at 2, Dawood at 3 and Saigols at four. The monthly Herald's list of top 25 families included 9 Punjab based groups of which six were Chiniotis. However three years rule of Nawaz Sharif was to radically transform this balance of economic power between Karachi and Punjab.

Punjab and Chiniotis generally and Mian Mohammad Mansha and his associates particularly proposed during the chief minister-ship of Nawaz Sharif. Pasrur Sugar Mills and Samundri Sugar Mills of Punjab Industrial Development Board (PIDB) were privatized to Monnoos and United group. Within months of coming into power as Prime Minister in 1990, the management of National Development Leasing Corporation (NDLC) was withdrawn from House of Habib and handed over to the United Group.

Nearly half of the assets privatized by Nawaz Sharif ended up with Mansha, his relatives or business associates. But bringing together the National group to bid for Muslim Commercial Bank was the biggest business coupe that Chiniotis could have staged against their main business rivals. Before nationalization, Muslim Commercial Bank was a Memon Bank owned by Adamjee and its purchase by Chiniotis demonstrated their rising power and the decline of the Memons. The National group which bought Muslim Commercial Bank was a consortium of 12 leading industrial families, of whom all but two; Chakwal and Bashir Jan Mohammad were not Chinioti. While Muslim Commercial Bank was the flagship of Chiniotis rising power, they called upon a Memon banker Hussain Lawai to head it.

A Nishat group profile in 1990 estimated that its assets were worth Rs 4 billion but the group profile in 1993 placed its assets at Rs 10 billion, a phenomenal 250% increase in assets in three years.

Seventy five percent of the newly listed companies during three years of Nawaz Sharif belonged to the Chiniotis. Mansha launched seven new companies and Crescent listed eight new companies at the Karachi Stock Exchange.

Earlier in this book we have reported about the Gas-war between the Memons and the Ismaeeli Khojas (Fancy) over the setting up of the first Non-Memon Textile Mills in Karachi but the resignation with which the Memons allowed Chiniotis to overtake them, in Bhutto and post-Bhutto era is amazing and a loud proclamation of their disinterest in long-term economic development of Pakistan. While in 1960's every fourth factory in Pakistan belonged to a Memon, the Chiniotis own 125 out of 750 companies listed on the KSE in 1997.

Chiniotis are a close fraternity who seldom marry outside their clan, with the result that marriages have come to play an important role in their growth and kinship. During his interview with the author, Mian Habib took out a red book from his drawer which contained the names of 80 Chiniotis living in Islamabad and said that in the event of a marriage, a party or a tragedy in a Chinioti family, first people to get the information are the people listed in the book. Every city has its own directory of the Chiniotis.

Chiniotis take pride that they are born businessmen and serve through industry. Unlike Memons who have a Memon Society of Professionals, there are very few prominent Chinioti professionals or civil servants. Mazhar Rafi, former Secretary Defense Production was the most well known Chinioti to succeed outside business and industry and the top military man from Chiniot was one Brigadier Mehboob.

“Chiniotis are born businessmen, born to serve the nation by setting up industries. They seldom invest in cinema, hotels and activities like gambling prohibited by the religion. They are never suspected of shifting their capital abroad. It is the Chinioti Crescent group which is known as the exemplary tax payer”, Habib Ullah pointed out.

Mian Habib Ullah himself is a living example of the business acumen of his fraternity. His grandfather Nazar Mohammad had started export of hides and skins from Southern India and set up several industrial units including Zeenat Textile Mills with 25,000 spindles and 500 looms in 1952. It was after his father’s death in 1981 that Mian Habib Ullah launched his own independent business, by buying off shares of his uncles in the family enterprise D M Textile Mills. He now heads a small group comprising D M Textile, Omer Textile, Bilal Fibre and Shalimar Textile.

Mian Shaukat Masud is another budding Chinioti businessman from the twin cities of Rawalpindi and Islamabad and is member of a fairly large but unknown Fazal group Industries, with headquarters in Multan. The group has 24 units in its fold including Fazal Cloth, Reliance Weaving, Fatima enterprise, Sh Fazalur-Rehman and Sons and Mubarik Textile listed on KSE. Some unlisted units are Ahmad Fine Spinning Mills, Hussain Mills, Fatima Fazal Soap and Fatima Sugar. The entire production of four textile mills is exclusively devoted to export, mainly to Japan while some members of the family have set up independent units, Shaukat said.

One of the Shaukat’s cousins who married an American girl has set up Carolina Textile Mills at Jabal-e-Ali in Middle East.

“Fazal group of Industries or Fatima group was founded by Shaukat’s grandfather Mian Fazal-ur-Rehman who was working as a helper on a grocery shop in pre-independence Pakistan. He had to quit his job at the grocery shop when he lost his eyesight and was dropping a lot of bottles incurring loss to shop owner”, Shaukat recalled.

The loss of job forced Fazalur-Rehman to go back to family’s kitty and pool the resources of family and friends to set up Fazal Edible Oil factory at Multan. The business was expanding when it was hit by nationalization of Edible oil and rice husking units.

Shaukat said he would never forgive Pakistan's Peoples Party for causing the death of his father, Mian Masud who took it upon himself to lead one man crusade against nationalization.

"The days immediately after nationalization were like family history taking full circle back to 1947 when we had to think about the humiliation of finding jobs, he recalled. Sheikh Fazal had nine sons and all the families again pooled their resources and handed it to eldest brother Sheikh Rashid Ahmad to set up Fazal Cloth Mills which became the nucleus for growth of the group to their present position.

Companies Owned by Chiniotis on KSE

S. No	Name	No. of Companies
1	Crescent	21
2	Nishat	13
3	United	9
4	Saphire	8
5	Sargodha	8
6	Colony	6
7	Fazal Sons	5
8	Ibrahim	5
9	Arshad	5
10	Fatima	4
11	Tata	3
12	Nagina	3
13	Jehangir Elahi	4
14	JSK	2
15	Ayesha	2
16	Monnoo	2
17	Mian Habib Ullah	2
18	Sunshine	2
19	Chenab	2
20	Din	1
21	Ali Asghar Textile	1
22	Adamjee Industries	1
23	Nusrat Textile	1
24	Ruby Textile	1
25	Quetta Textile	1
26	Khurshid Spinning	1
27	Diamond Industries	1

Chapter Three - How they make MONEY

> *"There is no business in Pakistan today which can be run without paying bribes to the ministers and secretaries".*
>
> *Yusuf Haroon.*

Bulk of the wealth today owned by 22 families was grown on government trees, rooted in bureaucratic corruption and fertilized by tax evasion, bulk loans, rebates and a bit of sweat and tears of the founding fathers.

The leaders of Karachi-based businessmen today, the Khojas, the Memons and the Isamaeelis are particularly a far cry from the great achievers of the Gujrati communities described by Dwijendra Tripathi, as "exceptional men, with extra elements (of) that touch of talent, preservence and ability which made them what they were".

Lawrence White fond in 1974 that the fortunes of the 22 families had resulted from a combination of "ability, initiative, influence and luck" rather than any extra elements. But it was G M Adamjee who spoke out a great truth when he said that creation of Pakistan was "like the gold rush in USA" that opened new opportunities for Muslim businessmen of the sub-continent, catapulting several of them to the commanding heights of the Pakistani economy."

This is exactly how biographers of Rockefellers had described his success to "random collision of a man with an opportunity, as if a door had stood open for a brief historical moment and Rockefeller who just happened to be passing by, managed to squeeze in before it closed". To use the analogy of Rockefeller's biographers, 22 families were thus produced by a collision of an opportunity in history, that was Pakistan with a class of businessmen who just happened to be around when the door opened or when the gold rush took place.

But among the founding fathers of the 22 families, one can not fail to spot towering personalities like M. A. Rangoonwala, C. M. Latif and Yusuf Saigol who would have left their imprint on the sands of time, even if the collision of history and opportunity had not taken place. If one was to weigh, present-day members of the 22 families, on the scales of that touch of talent, perseverance and ability that abounded in their forefathers and " the combination of ability, initiative, influence and luck", found in them by Lawrence White then perhaps only few of them, Nasim Saigol, Syed Babar Ali and Razak Dawood might deliver few ounces of these ingredients.

But there are no rag-to-riches stories, no self-made men, "trained in the sternest but most efficient of schools called poverty" and almost all of them inherited fortunes which were multiplied, in most cases dubiously and unscrupulously. But it appears that plucking fruits from the government trees, rather than planting one's own started immediately after the creation of Pakistan.

The Beginning

In December 1947, immediately after the birth of the new country, central government convened an industrial conference which recommended that centre should plan the setting up of 27 most urgently needed industries. It was in the light of the recommendations of this conference that Pakistan Industrial Development Corporation (PIDC) was set up in 1950 to promote industry in fields where private sector was reluctant to enter. It was decided that PIDC projects, once they were ready to take off, will be handed over to private sector.

Saeed Shafqat in his book, Political system of Pakistan and Public policy, as well as Lawrence White concluded that PIDC and Pakistan Industrial Credit and Investment Corporation (PICIC) were instrumental in the creation of financial / industrial groups that came to be known as the 22 families in the 1970s. According to Lawrence White, top 43 groups over Karachi Stock Exchange received 11 of 43 units divested by PIDC in East Pakistan and eight of 17 units in West Pakistan. Several big units of these families like Karnaphuli Paper Mills and Burewala Textile Mills of Dawood, Jauharabad Sugar Mills (Now Kohinoor Sugar Mills) of Saigols, Karachi Gas Company of Fancy, Charsada Sugar Mills of Hoti, Adamjee Chemical Works, Adamjee Industries, Adamjee High Grade Paper and Board Mills, Nowshera and at least six Jute Mills were built by WPIDC and divested in their favour. Habib Ullah Khattak of Bibojee claimed to have lost four units in Bhutto's nationalization, all of them divested in his favour by PIDC.

Divestment of these units was never advertised and no account is available at what terms and through which process they were sold to the new owners. But an illustration of the manner of their whimsical delivery to the private sector is found in the biography of Ahmad Dawood. The biographer, Usman Umer Batliwala has narrated how Ahmad Dawood was asked to take over the management of a major unit from PIDC.

According to the Batliwala, Ahmad Dawood invited president Ayub Khan to inaugurate a school set up by Ahmad Dawood at Jessore, in East Pakistan, in 1959. At the ceremony, Nawab of Kalabagh, Chairman, WPIDC was disturbed by a report about the death of an official of Karnahuli Paper Mills in a clash between management and the workers. The government had already decided that the project will be divested but no private sector entrepreneur was interested in taking over such a big project, chronically ill and in a dismal financial shape.

After the ceremony, Nawab Kalabagh invited Ahmad Dawood to a meeting and asked him to take over the paper mill. Initially Dawood refused but upon great persuasion, promised to consider the proposal. After pondering over the proposal for several days, Ahmad Dawood agreed to take over Karnaphuli Paper Mills and it was affiliated with Dawood group of Industries. A reorganization and modernization of the project was launched, cordial relations were hammered out with workers and within a short time, Karnaphuli Paper Project was on the way to become a profitable organization.

While PIDC was divesting industrial projects set up with tax-payers money and government-contracted loans, to big industrial groups, its sister organization, Pakistan Industrial Credit and Investment Corporation (PICIC) was dishing out loans to the same people to launch new industries.

PICIC's board of director included 13 members from the private sector and seven of them belonged to the leading families including Dawood, Adamjee, Bashir, Fancy, Jalil, Rangoonwala and Valika. It was headed by A W Adamjee with Ahmad Dawood as vice chairman. Heavily represented on the board of PICIC, these families made sure that loans sanctioned by the corporation rotated within same people. The dominance of the industrial families on PICIC board continues to-date.

Dr Mahboob ul Haq, then Chief Economist in the Planning Commission revealed in his famous study that 22 families were controlling 80 % of banking and 70%of insurance assets in Pakistan. According to Lawrence White, 43 families received 51 % of all industrial licenses issued by government of Pakistan during second plan period and 64 % of all industrial credit sanctioned by PICIC. Rashid Ahmad is quoted by Saeed Shafqat to have noted that "70% of loans sanctioned by PICIC went only to 11 industrial houses" and that five houses controlled 80% of the Jute industry and 50 percent of cotton textile production in Pakistan.

The divestment of PIDC, control of the 22 families on the banking assets, their ability to monopolize the loans sanctioned by PICIC played an important role in the concentration of wealth in few hands but it would be naive to ascribe the growth of the 22 families, simply to corruption or their collusion with politicians and bureaucrats because these empires were founded by rugged, srtong-willed single-directional people, obsessed by the smell of big money.

The Founding Fathers

Latif Bawany was the founder of Bawany group and according to a company review in daily, The Business Recorder, Karachi started his business in Rangoon whose streets he roamed on bicycle to sell cloth pieces. Haroons are reported to have made their initial fortune by selling second hand clothes in pre-partition India. Several interviewees familiar with the Haroon family believed that they still have a share in the second hand clothing trade in Pakistan.

Mohammad Ismaeel, founder of the Colony group started as a helper (Munshi) in a Soda Water factory set up by the Maratib Ali family in Ferozepur but rose to be the pioneer Muslim industrialist in textile in the area now comprising Pakistan. He lost his speech in a paralysis attack but continued to work till his death by issuing directives in writing.

When the Packages group was planning the setting up of Abbasi Textile Mills at Bahawalpur, they came to Mohammad Ismaeel to seek his advice and guidance.

“My father wrote on the paper that the people seeking his advice were his longtime employers for a few rupees”, Farooq A Sheikh reminisced in an interview with the author. Sheikh Fazal Hussain of Fazal (Fatima) group of Industries was working as a helper on grocery store of a Hindu merchant and launched his own business after he was sacked because of loss of eye sight.

Yunus Brothers is Pakistan’s biggest Export House, accounting for annual turnover of several billion rupees but its founder and Chairman, Yunus Taha has never been to the United States.

In 1972 when Bhutto nationalized Ittefaq Foundary, the House of Ittefaq decided to set up a steel re-rolling mill in the United Arab Emirates. Mian Mohammad Sharif, father of Prime Minister Nawaz Sharif vowed that he would not return to Pakistan till the project was completed. Eye witness said he used to stand in the scorching heat with the labourers and the factory was completed in record time.

Monnoos have grown on tax holidays and exemptions but have the reputation that they take care of their employees as welfare states take care of their citizens. The building for their industrial projects bespeak of great architectural tastes and aesthetic sense of their builders.
Crescent, perhaps the soundest of all the industrial groups today has the reputation of being “the exemplary taxpayers” in Pakistan.

Both M. A. Rangoonwala and C. M. Latif emerged as towering personalities among the 22 families of the pre-1971 era and had an abundance of “extra elements that touch of talent and ability” which Dwijendra Triparthe had found among the biggest achievers of the business communities in 17-18th century India.

Like buildings built brick by brick, several of the present day empires owe their existence to a small trading company, set up way back in the early years of Pakistan. Thus Crescent has grown around Mohammad Amin, Mohammad Bashir & Company and Dawood around Dawood Corporation, Habib around Habib Sons incorporated in 1922, Nishat around Nishat Corporation, Tawakkal around Tawakkal Enterprise, Schon around Schon Export House, Hashwani around Hassan Ali and Company, United around Sadiqsons, all these companies being trade houses.

Inter group marriages have also helped in the multiplication of wealth owned by the 22 families. Naz, daughter of Yusuf Saigol is married to Mian Mohammad Mansh while Ambar, daughter of Mahmood Haroon is married to Azam Saigol of the Saigol group.

One of three sisters of Mian Mohammad Mansha is married to Jehangir Elahi of Elahi group while one of his cousins is married to S M Saleem of United group.

A daughter of Mughis A. Sheikh is married to Saleem of Crescent Sugar while another of the Colony ladies is married to Shahzad A Monnoo and it is said that the plot on which Monnoo House stands today in Lahore came in dowry from the Colony.

Zahra, daughter of Aziz and Laila Sarfraz of Premier group who died on April 20, 1996 in New York was married to Asif Saigol and is said to have brought a textile mill in dowry.

Bawany, Adamjee and Al-Noor are related in both business and family while Mehrunissa, daughter of Abdul Ghani Dadbhoy, founder of Dadabhoy group is married in the Jaffer family. A grandson of Ahmad Dawood was married in August 1994 to a daughter of the Dewan group.

Role of Banks and Financial Institutions in the Concentration of Wealthand Social Inequities

Credit is human right, just like food,

Mohammad Yunus, Founder, Grameen Bank.
An interview on BBC, Jan 28, 1998.

Bhutto nationalized banks on the plea that they had been the main vehicle for concentration of wealth, a view given currency by the fact that almost all the big families of pre-1971 era backed up their business by their own banks. Bank credit was not only monopolized, it was heavily subsidized at three percent till 1959 when it was raised to four percent.

Even the government banks and financial institutions were under the shadow of these families. For example, National Bank of Pakistan was headed by M. A. Rangoonwala. Wahid Adamjee was Chairman, PICIC. Ahmad Dawood was founder member of National Investment Trust and Vice Chairman of PICIC.

According to Lawrence White, top seven of 13 banks nationalized in 1974 accounted for 60% of bank deposits but if foreign and government banks were excluded then their share came to 90% of the total. Four of the top seven banks were owned by 22 families. These were Habib Bank (Habib), United Bank (Saigols), Australasia Bank (Colony) and Premier Bank (Arag).

Z. A. Bhutto made a serious effort to level off the credit facilities over as big a segment of population as possible by creating Credit Consultative Committee which apportioned credit to business and industry, directing it inot areas where would be shy because of commercial reasons, and by opening of new bank branches in the rural areas.

However his efforts were handicapped by the absence of a regulatory framework over the bankers who had been rendered free from the clutches of the Seth but had new masters to serve, the financial bureaucrats and PPP henchmen. In the post-nationalization era, bankers were hand-picked by the powers that be, to head the banks, on the basis of their spinelessness rather than merit. They served themselves and their masters well. Over the years, nationalized commercial banks became the fishing ponds for civil and military bureaucrats, corrupt politicians and their courtier businessmen. Only Pakistan's economy was victim.

The Alarm Bells

As early as 1959, Credit Inquiry Commission set up by the State Bank urged the government to address the problem of "concentration of banking facilities in a limited number of important business and financial centers, neglect of less developed areas of country like East Pakistan and concentration of bank credits in the hands of small number of borrowers with large size of sums against their needs". The report was shelved in some bureaucratic drawer of the State Bank of Pakistan to gather dust and business went on as usual.

Ten years later when the participants of a seminar on Field Marshal Ayub Khan's Decade of Development pointed out that "much water has flown down the Indus and Padma Rivers" and no step has been taken to correct the monopolistic situation, Khalid Wahid, President, PFCCI responded arrogantly by saying "the fact that we have highly developed banking system does not mean that we should submit it the stress of small loans". He suggested that for small borrowers specialized agencies should be created.

Thus, all the warnings fell of deaf ears and out of the golden decade sprung the phantom of Pakistan Peoples Party which declared massive nationalization as the linchpin of its manifesto.

We have already to the article by Dr Nawab Haider Naqvi, the head of Pakistan Institute of Development Economics (PIDE) in which he forcefully argued against nationalization of banks, on the grounds that it would turn out to be " administrative nightmare" and instead pleaded for remedy of the situation by strict central bank regulations. It was argued by him that fiscal, monetary and other policies directed the flow of bank credit into few hands and therefore these policies or their lack, and not the banks were to be blamed for concentration of wealth.

However banks were nationalized and ruthlessly plundered. The plunder started as a trickle during Z. A. Bhutto era, quickened as a brook under Zia ul Haq but became a waterfall of corruption under which both Benazir and Nawaz Sharif took turns to shower.
It is 23 years since the fateful new-year day when Bhutto announced the nationalization of banks to meet the socio-economic objectives of an egalitarian society. Did it change in any way the lending pattern or the financial landscape, as far as the common man's credit requirements were concerned.

Who Gets the Bank Loans

In 1964, Pakistani banks made out 0.57 million loans to the tune of Rs 5.5 billion. Of these, loans up to Rs 40,000 accounted for 98% of the number of loans but 18.9% of the total advances. The loans of Rs 1 million and above claimed 50% of total advances. Only 40% advances of Rs 10 million and above were made but they claimed 21% share of the entire credit created by the banks.

According to State Bank annual report, total advances made by the bank in 1990 were estimated at Rs 230 billion, advances up to Rs 40,000 had 10% of the share, loans of Rs one million and above had 72% share while only 1200 persons received loans of Rs 10 million and above, with a 48% stake of the entire cake, by receiving Rs 110 billion in loan.

It is evident from the above figures the monopoly on credit deteriorated in the 20 years of post nationalization. Ironically this deterioration continues, despite the candle-lit dinner speeches by the Governor State Bank of Pakistan, Dr Mohammad Yaqub in 5-star hotel of Karachi and Lahore about the credit needs of "the small men, small business and small cities".

But who are the 1,200 people who borrow loans of Rs 10 million and more, or Rs 120 billion per annum from the entire banking system and for what purpose these loans were used? It is not difficult to attempt the answer, thanks largely to the tales of corruption told from political rooftops during last ten years and the lists of defaulters published in 1993 and 1996.

Beginning of Bad Loans

Bhutto's nationalization has often been dubbed as the bureaucratization of banks and industries that gave birth to a breed of bureaucrats and politicians in business, and businessmen in politics. It is these two in one bureaucrats, politicians and businessmen who plundered Pakistan's banking in post-Bhutto era and led the economy to present state of near collapse.

One frequently hears the lament that Pakistan would have been the second Japan or an Asian tiger, "had Z. A. Bhutto not happened to Pakistan". But a country on way to becoming the tiger earned the nomenclature of "a failed state" in such a short span, not merely because of nationalization but for host of indulgences by successive governments in recent past who had the historic opportunity to put things on track but instead have brought forward the day of reckoning by their misdeeds.

The White paper on economy under Bhutto, released by General Zia ul Haq in 1979 had estimated that bad loans of Rs half million and above amounted to Rs 1,340 million including Rs 830 million of pre-nationalization era. In order to have a better perspective of who plundered the nationalized commercial banks and how, it is appropriate to reproduce the indictment of Z. A. Bhutto about the misuse of the banks, in White paper.

It said “the aggregate amount of advances of half million rupees and above which were classified as doubtful or irregular in the State Bank Inspection Report of December 31, 1975 is over Rs 1,340 million. Advances of half million rupees or above given by the banks after nationalization which have been found to be bad, doubtful or irregular abinitio amounted to Rs 510 million”. It also found that nationalized commercial banks sanctioned loans worth Rs 562 million under irresistible political and administrative pressure or influence between 1974-77 and major political beneficiaries included Jam Sadiq Ali, Abdullah Shah, Syed Qaim Ali Shah, Makhdoom Talibul Maula and Mir Aijaz Ali Khan Talpur.

Few years later, Zia ul Haq himself was accused by Benazir Bhutto of writing off loans and patronizing the gang of four (The Ittefaq group, The Chaudhries of Gujrat, Saifullahs and Basharat Elahi) who had allegedly monopolized the ban credit by securing loans worth Rs 19,200 million. In her speeches and press conferences Benazir vowed to recover the written off loans but when she came into power in 1988 and had the opportunity to do so, she herself indulged in a bonanza of writing off and rescheduling loans on an unprecedented scale.

The Loans Bonanza

Three lists of bad loans have been published since 1993, the first published by caretaker Prime Minister Moeen Qureshi, followed by two lists released by Benazir Bhutto and caretaker government of Meraj Khalid, in October 1996 and January 1997 respectively. The bad loans which were Rs 1,340 million when Z. A. Bhutto was removed swelled to Rs 80 billion in August 1993, Rs 126 billion in November 1996 and Rs 130 billion in January 1997.

The August 1993 list, published by Moeen Qureshi carried details of 244 written-off loans amounting to Rs 4,724 million between March 1985 and August 1993 but the number of written-off loans increased 942 in November 1996 valued at Rs 8,247 million, according to the list published by Meraj Khalid. Thus during her second term, Benazir government wrote-off 698 loans worth Rs 3,550 million. The details of written-off published by Moeen Qureshi took two pages of August 29 issue of daily Dawn but three years later the same newspaper devoted 18 pages to cover the details of the written-off loans.

Some notable beneficiaries of loans written-off before August 1993 included New Era Textile (RS 136.7 million), Hashwani Hotels (Rs 120 million), Fancy (Rs 64.89 million), Colony (Rs 51.4 million), Saifullahs (Rs 39.21 million), Hyesons (Rs 35.7 million), Habib group against RKD Sugar (17.5 million), Saigol against Omaryar Limited and Kohinoor Textile Mills (17.1 million), Mian Mansha (Rs 7.5 million), Bibojee (Rs 4.2 million), Packages (Rs 4.2 million) and Bawany (Rs 2 million).

The 698 beneficiaries of written-off loans under Benazir included Farooq A Sheikh, Chairman, PFCCI Committee for revival of Sick Indusrties whose five loans worth Rs

500 million in Adamjee Industries, Dost Mohammad Textile Mills, United Exports and United Group of Industries were written-off. Six loans worth 131 million of Jan Mohammad, a member of the National Group owning the Muslim Commercial Bank, relating to Charsada Sugar Mills were written-off. A few other beneficiaries were Saifullahs, Hashwani, House of Habib, B.D Avari, Taufiq Sayed Saigol, a member of the National Assembly Shahid Nazir and former speaker of the National Assembly Gohar Ayub.

Pakistan's Top Defaulters
Three Lists of Loan Defaulters, a Comparison

Evidently none of the lists of loan defaulters published since August 1993 portrays a complete picture of the bad loans because the details of several well known defaulters were missing and while preparing the lists, commercial banks omitted the details of bank loans that they had agreed to reschedule or restructure. An article by Zohaib Marghoob in the magazine section of daily

Jang, Rawalpindi of December 14, 1997 gave details of political heavy weights belonging to the ruling party whose names were dropped from the defaulters list released by Benazir government.

The fact that the lists made available by the banks are released by the caretaker governments of Moeen Qureshi, Meraj Khalid and Benazir Bhutto were not complete is also evident from the following exemples:

Abdul Hafeez Pirzada on November 10, 1997 moved before the Supreme Court a constitutional petition on behalf of one Amir-uddin Shah about a loan of Rs 672 million relating to Avari Hotels of Behram D Avari that was restructured by 11 banks and financial institutions in 1990. It was foreign currency loan that was converted into a rupee loan and the repayment was restructured in such a way that the creditors ended up holding nonvoting shares in the indebted Avari Hotel. This loan of Rs 672 million in which 11 banks were involved does not appear in any of three lists of bad loans.

The list of written-off and bad loans released by Moeen Qureshi included the name of Sadruddin Hashwani and Hashwani Hotels, as beneficiary of Rs 120 million loan written-off by ICP. However his name does not appear in any of the subsequent lists.

The list of Benazir Bhutto does not carry the name of Fauzi Ali Kazim who was sanctioned a Rs one billion loan on a telephone call by Asif Zardari in 1988-90. A case was registered against Asif Zardari, in 1991 for using his influence on Habib Bank to sanction the loan. The list of loan defaulters published by Benazir Bhutto did not carry the name of Fauzi Ali Kazim but it cropped up in the list published by Meraj Khalid, a few months later. Ironically, the loan sanctioned to Fauzi Ali Kazim also appeared as a bad loan in the annual financial accounts of Habib Bank for 1996. Yet Fauzi Ali Kazim is in full ownership of duty free shops built with this loan and in November 1997 when he was arrested in Islamabad, allegedly for possession of alcohol, the lady accompanying him described him as one of the most large-hearted persons she had ever met.

Pakistan's Top Defaulters

According to the Moeen Qureshi list of 1993, Fazalsons group was defaulting in the payment of 34 loans amounting to Rs 2,164 million, Hyesons was defaulting in Rs 1,174 million, Habib group in payment of 32 loans worth Rs 850 million, an obscure Naqvi group was in default of Rs 676 million, Tawakkal Rs 479 million, Adamjee Rs 198 million, Dadabhoy Rs 191 million, Hashwani Rs 48.7 million and Fancy Rs 40.6 million.

Major defaulters among the politicians were Chaudharies of Gujrat who were defaulting in payment of six loans worth Rs 109.66 million against Phalia Sugar, Punjab Sugar and Sapco Limited, Ittefaq group Rs 83 million against Ittefaq Foundry, Saifullah's Rs 37.3 million while Zardari group was in default of Rs 7 million.

List of Top Loan Defaulters by Benazir 6-9-1996.

S.No	Name	Amount Borrowed	Default (Rs in Millions)
1	Ittefaq	3,675	2,891
2	Fazalsons	3,475	3,475
3	Tawakkal	1,768	1,464
4	Bela Chemicals	1,259	1,217
5	Abdul Shakoor Kalodia	1,215	1,215
6	Naqvi	1,213	1,060
7	Zahur	1,035	905
8	Ghani	1,023	985
9	Arabian Sea Enterprise	950	913
10	Hyesons	750	725
11	Chaudri Cables	716	684
12	Farooq A Sheikh	632	632
13	Habib	615	615
14	Bawany-Alnoor	601	485
15	Chaudry Shujaat	544	381
16	Dawood	540	325
17	Adamjee	526	494
	Total	**20,537**	**18,466**

Top Defaulters by Meraj Khalid in January 1997

S.No	Name	Amount in Default (Rs. in Million)
1	Ittefaq	3,013
2	Tawakkal	2,956
3	Fazalsons	2,800
4	Bela Chemicals	2,339
5	Chaudri Shujaat	1,557
6	Abdul Shakoor Koladia	1,254
7	Fauzi Ali Kazim	1,159
8	Saigol	1,086
9	Naqvi	1,056
10	Zahur	1,028
11	Abdullah Al-Rajaih	1,031
12	Ghani	903
13	Habib	845
14	Adamjee	832
15	Hashwani	640
16	Arabian Sea Enterprise	626
17	Sargodha	581
18	United	501
19	Chakwal	441
20	Dawood	376
21	Bawany-Alnoor	352
22	Fateh	213
23	Packages	166
24	Colony	81
	Total	**25,389**

Top four defaulters are common in lists published by Benazir and Meraj Khalid and 24 individuals and families are defaulting in the payments of Rs 26.7 billion to the nationalized commercial banks and financial institutions. Mian Aftab Ahmad of Fazalsons and Habib Bank Gujranwala merit a special place in the history of banking frauds in Pakistan.

Mian Aftab Ahmad, a Professional Loan Defaulter

Mian Aftab Ahmad was the eldest son of Mian Fazal Ahmad, a Chinioti businessman who set up Central Cotton Mills which became the nucleus of Fazalsons group. By the time he died in mid-1970's his empire inherited by wife Sughra Begum and three sons, Aftab Ahmad, Muniar Ahmad and Gulzar Ahmad, comprised several mills.

Apparently, sometimes after his father's death, Aftab Ahmad found that cheating the banks was far more profitable than earning livelihood industriously. Very soon there was no bank from whom he had not borrowed, by pledging the same collaterals. He got 11 loans worth Rs 1,192 millions from Habib Bank Limited, circle A-1, Karachi only. After the publication of the defaulters list by Moeen Qureshi, Mian Aftab Ahmad managed to dispose off his assets and is living off comfortably in Europe, operating a hotel he has set up with money siphoned from Pakistani banks.

Habib Bank Gujranwala - The Bank that Gave Non-Repayable Loans

Habib Bank Gujranwala was a cow that was milked by every big industrialist worth his name. The branch seems to have a banner sticking out of its window "Applications for non-repayable loans received here" and dished out bad loans amounting to Rs 2,793 millions. The beneficiaries included Karim Group (six loans) worth Rs 339 millions, Dost Mohammad Textile Mills (Farooq A Sheikh) Rs 261 millions, Bela Chemicals (Basharat Elahi, brother-in-law of President Zia ul Haq) Rs 230 millions, Fazalsons Rs 274.69 millions, an individual Abdullah Rajai Rs 233 million, Valika Rs 103 millions, Habib group Rs 41.48 million, Arag Industries Rs 30.9 million, Hyesons Rs 26.56 millions, Fancy Rs 22 million, Dadabhoy Rs 16.54 millions and Bawany Rs 14.43 millions.

How industrialists living in Karachi had resorted to credit sanctioned by Habib Bank Gujranwala speaks about the professional integrity of the senior executive of Habib Bank. One of senior executive Yunus Habib was later arrested and is currently languishing in jail while another senior executive Safdar Abbas Zaidi was appointed minister by Benazir Bhutto, ostensibly, for not testifying against Asif Zardari, in the case about the loan sanctioned to Fauzi Ali Kazim.

The Sick Mill Therapy, at Whose Cost?

> *"Loans turn bad only when they are given to bad parties and not sanctioned on merit These loans are taken out with the intention of never paying back."*
>
> *Yusuf Shirazi, Interview with The daily Dawn, 7-10-1995.*
>
> *"At present there is a lack of commitment for loan recovery at both ends, at the government level and the level of the defaulters."*
>
> *G M Adamjee, Interview with The daily Dawn, 23-9-1995.*

In 1984, General Zia ul Haq constituted a committee headed by Finance Secretary Mr. H U Beg to recommend revival of sick industrial units. It was a onetime exercise obviously meant to review the loans of the nationalized units dating back to pre-nationalization and devaluation of the currency, “making provisions to either reschedule or reduce their liabilities”.

Every elected government in last 13 years has set up committees to revive sick industries. Since 1990, committees have existed in each nationalized commercial bank and financial institutions for writing-off reschedule loans. No mention was ever made by the banks, State Bank or politicians about the existence of these committees. While hearing a case against this banking malpractice on November

10, 1997, the Supreme Court observed that “there appears to be no statutory rules or regulations or any expressed policy guideline issued by the State Bank of Pakistan, regulating or controlling the powers of banks to write-off, reschedule loans and interest which is being exercised by these banks, arbitrarily, without keeping in view the commercial considerations”.

The revival of sick industrial units is an important priority for Nawaz Sharif government and the reason for this priority is not difficult to understand if one goes through the list of biggest defaulters in the country. How the concept of reviving sick industries has evolved is itself a meaningful comment on how the system works and how corruption breeds corruption?

The H. U. Beg committee granted relief to hundreds of sick industrial units and fathered the idea of another committee by recommending that relief be provided by reducing or rescheduling the loans of hundreds of sick industrial units, “on case by case basis”. This led to the creation of another committee by Pakistan Banking Council, in 1987 to provide relief to sick units, on permanent basis.

In 1988, Pakistan Banking Council empowered the board of nationalized commercial banks to write-off restructure loans up to Rs 1.00 million but loans above 1 million were to be referred to PBC Committee. In 1991, during Nawaz Sharif premiership, board of directors of all the financial institutions were empowered to write-off any loan.

The meetings of Federation of Pakistan Chamber of Commerce and Industry Committee (FPCCI) for revival of sick industries during second Benazir government were chaired by Asif Zardari and it was during this period that FPCCI proclaimed proudly that it had managed the restructuring and rescheduling of 400 cases or Rs 24 billion and advised sponsors of sick/closed units, “in their own interest” to contact the federation and avail the opportunity of settling their cases with banks to make their units operational”. We have already seen pervious pages that second Benazir government scandalously wrote-off loans worth Rs 3,550 millions including all the loans of Farooq A Sheikh, Chairman FPCCI committee for revival of sick industrial units.

The practice of writing off/rescheduling loans has become a big business. In fact it is such a powerful and lucrative business that honest and professional bankers were reluctant to talk against this evil. A senior banker from National Development Finance Corporation (NDFC) who had done a comprehensive study on the problem of loan default came all the way from Karachi to Islamabad, to speak on the subject at Sustainable Development Institute (SDI) in December 1996 but on the condition that he would not be reported or quoted.

“The concept of bad loans is gone, we call them non-performing loans”, V. A. Jaffery, Benazir government’s advisor on Economic Affairs observed at a press conference with bits of sarcasm and helplessness.

H. U. Beg and several other bankers who studied the problems of bank loan default made comprehensive recommendations to discourage industrial sickness but their recommendations have been ignored and the business of rewriting loans is going on as usual. Beg, for example suggested that “ legal action should be initiated against the defaulters, at an early stage of default and all banks and financial institutions should be notified about the action so that they should stop all facilities, not only to individual sponsors but also to their sister/ associated concerns. Besides, a sponsor whose unit is once liquidated for willful default or siphoning off funds should be blacklisted.

A World Bank report on financial reforms in Pakistan observed that “not only has political pressure forced institutions to make bad loans and stop collection efforts, even the modest efforts to reform the recovery framework has met vigorous political opposition”. It reported that as of October 30, 1992 a total of 21,000 cases were pending in the banking tribunals and observed that in order to discourage the practice of loan default “the bankruptcy of a few large over extended firms and jail terms for a few willful fraudulent defaulters would be quite salutary”.

A USAID study about financing for the Housing sector concluded that the legal system for recovery of loans was almost non-existent and in one particular case in Karachi Banking Tribunal, there were approximately 10 hearings and adjournments since 1987 while in another case in Lahore, there were 67 hearings and adjournments between 1981 and 1991. It cited that a case was pending before Punjab Banking Tribunal since 1988 because the tribunal was not functioning for two and half years.

At a time when a firm policy was needed to discourage defaulters from taking new loans and reform the banking system, Asif Zardari started holding courts with FPCCI to provide them relief and fresh financial assistance, thus giving permanency to the evil of industrial sickness, as part of Pakistan’s business culture. It is not surprising that in his second term, Nawaz Sharif and Sartaj Aziz have identified revival of sick industries, as the top priority of new government which means providing additional loans to existing defaulters.

How Central Board of Revenue (CBR) Helps Them Become Rich

CBR: Corrupt or Politicized

The Central Board of Revenue (CBR) can enrich individuals and groups beyond one's expectation and imagination by issuing the right SRO (Statutory Regulations and Orders) or vice versa turn them into pauper by starting investigations of tax evasion and assessing tax liability with retrospective effect.

Prime Minister Nawaz Sharif will gladly vouch for these powers, since he has been at both the receiving and giving ends of the CBR.

CBR has the reputation of being corrupt, besides being one of the most politicized departments of Government of Pakistan. From the office of chairman to middle and lower ranks, appointments are made in CBR on political and financial considerations. One frequently comes across people in Islamabad with offers of money for appointments or postings in departments under the jurisdiction of CBR. The amount that these people offer even for a clerical job in customs, income tax or other subordinate departments gives a measure of corruption and graft in CBR.

It is thus, not mere coincidence that the chairman of CBR has invariably been the first to go with each change of government since 1988. Benazir Bhutto assumed power in the last week of December 1988 and Ghulam Yazdani Khan was appointed the new chairman CBR on January 22, 1989. He was removed on August 10, 1990 within 5 days of Bhutto's dismissal and was later arrested by Nawaz Sharif government, ostensibly on charges of smuggling. But his real crime was initiating investigations into the allegations of tax evasion by House of Ittefaq.

Nawaz Sharif waited for eight months to bring Sajjad Hassan as CBR chairman who was dismissed by President Ghulam Ishaq on April 8, 1993, two days after Nawaz Sharif was dismissed. Kazi Aleem Ullah was appointed the new chairman on May 3, 1993 who was replaced on July 17, 1993 by a PPP nominee Mobin Ahsan who, in turn could survive only a week because of reinstatement of Nawaz Sharif government by Supreme Court of Pakistan.

The successive governments and senior bureaucrats have always been conscious of the corruption plaguing CBR and Kazi Aleem Ullah, in a letter on May 8, 1993 to members and senior officials of CBR said that "it was extremely unfortunate that both customs and incom tax services which are the backbone of federal tax administration enjoy a very poor reputation in public eye. So much so that these departments are always quoted, in private as well as in public, as "corrupt departments".

Very few people know that according to Federal Service Census Report, 1993, CBR presently housed in an unassuming building on the Constitution Avenue in Islamabad is the second biggest employer, among all the federal government departments after

Pakistan Railways, accounting for 12% of the total strength of Federal Employees estimated at 1,75,189.

Politics of SROs

The 1973 constitution had clearly provided that “imposition, abolition, remissions, alteration or regulation of any tax” would fall in the jurisdiction of Finance Bill to be passed by the National Assembly. But during the Zia ul Haq era when there was no National Assembly, this power was usurped by CBR which imposed duties, withdrew duties, exempted industries from paying off taxes and duties, made refunds with retrospective effects when somebody had to be favored, simply by issuing SROs. The use of CBR and SRO’s for imposing and changing rates of duties continued under both Benazir Bhutto and Nawaz Sharif because of their penchant for corruption, incompetence and mental subordination to bureaucracy.

While in opposition, Finance Minister Sartaj Aziz had accused Benazir government of “ruling through SROs” and had condemned “the illegal and unconstitutional practice of issuing SRO’s without the approval of parliament”. At a press conference on May 17, 1996 he announced that the opposition was contemplating a move in the court against the practice of levying “taxation by issuing SRO’s without the approval of the parliament”. But SRO’s have been issued and withdrawn with greater speed during second Nawaz Sharif government than ever before.

Earlier in 1993, when Nawaz Sharif was dismissed, caretaker Interior Minister has accused his government of issuing SRO’s seeking to slice the import duty on scrap “without lawful authority”.

As on several other fronts, Benazir and Nawaz Sharif also fought a battle of the SRO’s giving concessions to oneself and withdrawing concessions from the other. Thus while both used SRO’s indiscriminately for personal ends, officials of CBR were encouraged to also use them to grind personal axes.

One of the first official acts of Benazir Bhutto, both in 1998 and 1993 was to move CBR for an exemption in the import duty of Mercedes Cars for personal use. Similarly some of the sweetest dishes must have been to Prime Minister by the CBR issuing SRO’s for the benefit of House of Ittefaq. Conversely when he was in opposition the hounds of CBR were let loose on him. The case of Prime Minister Sharif also shows how CBR is used by the rulers for greasing their palms or settling scores with the opponents.

Following examples illustrate how CBR served sweet dishes to House of Ittefaq and how duties were manipulated to settle personal scores.

Some Interesting Cases of CBR for Making MONEY

The Case of Chunian Industrial Estate

Chunian was declared an industrial estate in 1987 through SRO 400 (10/87) when Mohammad Khan Junejo was Prime Minister, Dr Mahboob ul Haq was finance minister and Nawaz Sharif was the Chief Minister of Punjab. The SRO was issued on June 17, 1987 but it gave Chunian the retrospective benefit of SRO (500/1/84) under which industries set up in industrial estates were given specific tax holidays. It was not coincidence that House of Ittefaq was operating five industrial units in the Chunian Industrial Estate.

According to the notification issued by the Punjab government the estate was to be developed on 60,466 acres of land, of which 55,000 acres was private and balance was State land. In a departure from the established pattern it was decided that government will provide infrastructure and other facilities in the industrial estate but the industrialists will be required to procure land directly from the land owners in the area. According to the various press conferences by Salman Taseer, then Information Secretary PPP and other opposition leaders at least 10% of the land in Chunian Industrial Estate had been bought by the members of Sharif family prior to its declaration as an industrial estate.

In September 1989, Bhutto government rescinded SRO/1/84 with retrospective effect from Chunian Industrial Estate meaning thereby that industries set up in the area after 1984, were no longer exempted from payment of income tax and other tax concessions. CBR issued the new SRO as spinelessly and without any rigor of conscience as the one that had provided exemptions with retrospective effect.

The Case of Import Duties on Steel

The see-sawing of import duties on Steel by Benazir and Nawaz governments also show how unscrupulously the two employed to line personal pockets or tried to kill the bird that was laying the golden eggs for the other.

The federal budget for 1986-87 announced by Finance Minister Dr Mahboob ul Haq reduced the flat duty on imported Steel from Rs 750 per tonn to Rs 418 per tonn, yielding net savings of Rs 200 million to Ittefaq Foundry but hardly hit ship breaking industry for which the rate of duty remained at previous level.

However, July 1988-89 budgets was announced by the PPP government which imposed a uniform rate of duty on ship plates and ingots but doubled the rate of duty for billets used by Ittefaq Foundry, causing an annual loss of Rs 580 million to Ittefaq.

In 1991-92 with Nawaz Sharif as Prime Minister, CBR issued SRO 584/91 reducing the custom duty on shredded and bundled scrap from Rs 1,500 to Rs 500 but the custom duty on ship breaking was reduced from Rs 1500 per tonn to Rs 1000 only. This difference in custom duty inflicted death blow to the ship breaking industry but yielded Rs 1,024 million to Ittefaq Foundry, according to Zahid Sarfraz, Chairman, Accountability Committee when Nawaz Sharif government was dismissed in April 1993 who also claimed that the said SRO was issued without any lawful authority.

In this battle of SROs, ship breaking industry fell victim to Nawaz government policies to benefit Ittefaq Foundry and subsequently efforts was made by PPP government to close down the Ittefaq Foundry. In both cases CBR was used by them to issue SRO;s for personal ends and settling personal scores.

The Case of Indus Toyota Motors, the Tug of War Between Bhutto and Nawaz

The Indus Toyota project is a clear case of politicking between two main political parties and their governments but for reasons known only to a few, both are reluctant to talk about the real bone of contention.

The Indus Toyota project sponsored by the Habib group was sanctioned by Benazir government in 1988. It was meant to start progressive manufacture of Toyota Car in Pakistan but immediate effect of the sanction of the project was transfer of franchise for import of Toyota from State owned Pakistan Automobile Corporation (PACO) to the house of Habib yielding them the windfall revenue of 500 dollars for every Toyota imported into Pakistan.

Before nationalization the Toyota franchise was held by Monnoos and obviously this was a big coupe managed by Habib since several other leading groups including the House of Ittefaq were flexing their muscles to enter the auto industry. But within months of coming into power in 1990, Nawaz government cancelled the license of Indus Motors Project and demanded of the Toyota Motor Company of Japan to restore the franchise to PACO which had lost the main source of revenue. The matter was resolved only after the intervention of Japanese Embassy and the visit of a delegation of Toyota Company from Japan.

Apparently the matter has been resolved. But in the 1993-94 budgets, government drastically reduced the import duty on completely built up (CBU) cars, thereby completely upsetting the feasibility of Toyota plant. Fortunately for Habib, Nawaz Sharif resigned in August 1993 and general elections brought Benazir in power.

On January 12, 1994, within two months of coming into power, PPP government banned the import of reconditioned cars and drastically reduced the import duty on Completely Knocked Down (CKD) kits for cars, thus accruing windfall gains of billions of rupees to Indus Toyota Motor which was the only private sector car assembly plant nearing completion at that time.

During first Sharif government, PPP leaders were always accusing the government of victimizing the House of Habib but with Benazir in power it was a turn of Muslim League to accuse the government unduly favoring the Habibs.

A “chronicle of failure, the PPP government” released by Sartaj Aziz, on January 2, 1994 observed that “the decision of Economic Committee of the Cabinet on January 23, 1994 reducing duty by 30% on CKD and restricting import of reconditioned cars is meant to give tremendous benefits to certain local assemblers of a particular brand whose owner is personal friend of Asif Zardari.

This decision is based on personal consideration and will adversely affect the local industry".

While condemning each other over their treatment of the Indus Toyota Project, the leaders of both PPP and PML were shy to fully talk about reasons for which one was allegedly supporting and other was opposing a project of national importance, launched by one of largest industrial groups in the country. A former cabinet minister speaking on condition of anonymity traced the origin of the dispute to a bid by the house of Habib to offer a donation of Rs 10 million to PML government of Mohammad Khan Junejo. The offer was refused. The minister reported the matter to President Zia ul Haq leading to an official inquiry. Obviously offer of a similar donation was made to the other party which was accepted. Even thieves have a code of honour and so have out pollliticians.

The Politics of Tax Holidays

A week before Prime Minister Benazir Bhutto was to visit Japan in January 1996, the Ministry of Finance withdrew the fiscal package for Special Industrial Zones (SIZ) that was announced by the PPP government with great fanfare in January 1994, within weeks of coming into power.

Pakistan had worked hectically for the coveted visit to Japan where Prime Minister was to inaugurate an investors conferences arranged by the Board of Investment. The withdrawal of the package for SIZ was a major embarrassment for the visit, particularly because the publicity matter relating to investment opportunities in Pakistan printed in Japanese language had already been dispatched and contained references to SIZ, as jewel of the crown of the government economic policies. It was V. A. Jaffery, the Economic Advisor to Prime Minister who had accepted the IMF demand for withdrawal of the fiscal package for SIZ but Prime Minister House came to know about the withdrawal of the package only when it wanted to issue a contradiction to reports in the newspapers.

Mohib ullah Shah, Secretary, Board of Investment told reporters at several press conferences that he was holding protracted negotiations with IMF delegations, seeking restoration of the concessions. A question that remained unanswered at his press conferences was why IMF had demanded the abolition of the SIZ scheme. At a loss to answer the question, he contented that "SIZ's will generate economic development and employment at the cost of tax collection". He was unaware of the fact that Pakistani entrepreneurs have enjoyed such exemptions and holidays since 1950's. A chronology of tax-exemptions granted by successive governments to encourage industrial investment will prove it.

The 1959 budget announced a two years tax holiday for industries set up anywhere in Pakistan which was extended to four, six and eight years i.e. upto 1967 but the exemption for Karachi was allowed to expire after four years.

First budget by Zia ul Haq in 1978 provided a 5-years tax holiday for industries set up between March 1, 1977-June 1983 in Baluchistan, certain parts of NWFP and approved industrial estates in NWFP, Punjab and Sindh.

1983-84 budgets extended “all these facilities for another period of five years” i.e. up to June 1988. In 1988 Benazir came to power and she announced exemption to all industries set up in the rural areas.

In 1990 Nawaz Sharif came into power and “all industries set up throughout Pakistan between December 1990 and June 30, 1995 were given tax holiday for three years”. He also announced a tax holiday of 8 years for all industries proposed to be located in NWFP, Baluchistan (Except Hub), Federally Administered tribal areas (FATA), Azad Kashmir, Division of Dera Ghazi Khan and Bahawalpur in Punjab and Sukkur and Larkana in Sindh, between December 1, 1990 - June 1995.

Thus tax holidays that was first introduced for two years in 1959 has lasted for 26 years. The number of industrial estates enjoying tax holidays and exemptions already numbered 44 and the concept of SIZ was simply another effort of keeping the industrialists hooked on exemptions. It was old wine in new bottles.

The Rebate, Duties Bonanza

The misuse of rebates and duty drawback scheme has emerged as one of the most frequent and remunerative white collar crime in Pakistan during recent years as is evident from the proliferation of stories in newspapers about frauds involving customs officials, exporters and business houses. This facility has also been exploited by political heavy weights with immunity to reap large windfall gains simply by getting the right SRO issued by CBR.

“The system of duty drawback on exported goods is thoroughly corrupt” under which government ends up paying more than the amount of taxes collected. Tariq Saigol observed in an interview with Friday Times issue of April 6, 1995.

No consolidated account is available of the rebates and refunds made annually by the CBR in the CBR year book, Economic Survey or any other budgetary publication and the figures of revenue collection periodically released by CBR give only an estimate of net revenue receipts. Gross revenue receipts are never mentioned. An estimated 10-12% of the annual gross tax receipts are currently being refunded by the CBR by way of duty drawbacks and rebates to the exporters and manufacturers. The figure is expected to go up astronomically in 1998, since second Nawaz Sharif government has increased the use of duty drawbacks as a measure to boost exports. The trade policy for 1997-98 has envisaged host of incentives for boosting export of engineering goods and it provided that “the duty drawback rate of engineering industry will include all inputs including fuel oil”. It is not difficult from the ambiguity and enormity of the provision to guess, for the benefit of which engineering industries this policy decision has been taken.

Duty drawbacks and rebates are refunds of the duties and taxes paid by the manufacturers on duty-paid imported raw material used in the value added exports. When the scheme was introduced in the late 1980, it was limited to refunds of import duty, sales tax and presumptive income tax but with a proliferation of taxes, its coverage has been expanded to include all the taxes and incidences paid by exporters including exporters including the municipality taxes. The Collector of Customs, Collector of Sales tax, Income tax directorate, Sea Due Department make refund of billion of rupees every year which are not reflected in the gross revenue receipts.

Rebates are permissible at different rates for different items, under such a complex system that a small favour by the taxation officials can mean a difference of millions of rupees. Two of Pakistan's notorious business groups, the Tawakkal and Schon grew around the export houses known to be claiming rebates based on fake exports, made through letters of credit opened with banks that existed only on papers in South Africa and Cyprus.

The CBR officials told the National Assembly Standing Committee on Finance and Economic Affairs in January 1998 that one of the main reasons for a shortfall in the revenue projections for the fiscal year 1997-98 was the proliferation of SROs that were issued by the CBR for the benefit of individuals and groups. A number of these SRO's have been issued for the benefit of individual industrial units by name, entitling them to rebates with retrospective effect. For example, a notification issued by CBR in July 1997 mentioned Nayyar Industries (Pvt) Ltd, Gujrat and Lahore, owned by relatives of Interior Minister Chaudry Shujaat Hussain to be entitled to refund with retrospective effect, at the rate of 16.9% and 9.4% of FOB prices, respectively, for custom duties and sales tax.

In 1986 when Pakistan was facing acute shortage of sugar, Dr Mahboob ul Haq announced rebates in payment of excise duty to sugar manufacturers, under which sugar mills were entitled to claim rebate of 50% of excise duty on sugar produced in excess of average of last three years. The decision was meant to encourage domestic production and discourage imports but payment of rebate has continued even during years of surplus production.

Nawaz Sharif's House of Ittefaq was a major beneficiary of the decision to pay rebate on sugar in 1986 and PPP leaders claimed at the press conferences that Ittefaq group benefitted to the tune of Rs 500 million, by the decision. Again in 1997 when Nawaz Sharif came into power, one of the several moves by Ittefaq group was seeking payment of arrears of rebates which were allegedly not paid by Benazir Government.

The duty drawback scheme and the manner in which these rebates are sanctioned is self-explanatory about the in-built provisions for corruption. For example, consider the following examples:

One hundred percent man-made fibres yarn and blended yarn (65% manmade and 35% cotton fibre) are both entitled to refund at Rs 6.75 per KG. However 50 percent blended yarn (50% man-made and 50% cotton) is entitled to rebate at Rs 3.33 per KG, with the result that a small favour by the custom official could double the amount of rebates paid to exporters.

Order no SI/MIsc/20/95-EXR-dated April 6, 1996 issued by the Collector of Customs Karachi revealed that discretionary powers of the Customs officials and the complex manner in which rebates are worked out. The order said that rebate of central excise duty is admissible on tents and tarpalin at a rate of RS 2.50 per KG, on the net Wight of textile material but exporters have been claiming rebate of non-textile component of their export consignment also. Exporters were therefore, advised that in future, they shall declare weight of textile and non-textile material separately on the bill of export and with relevant export documents. It asked the processing section to ensure that the weight of textile and non-textile material is declared separately and that rebate of central excise is paid only on the textile component.

While corruption cases in customs rebate have been frequently reported, very little is known about the drawback of income tax permissible, in respect of income earned from export of 258 locally manufactured items. Of these 220 items enjoy 90% rebate, 35 items 75% and only one item i.e. yarn enjoy 25% rebate. An article in daily Dawn elaborated how the facility was grossly misused "by deducting huge amounts of income tax at importation stage and then equally huge refunds were made, after the final tax liability was determined".

In the first week of January 1995, high officials of Export Promotion Bureau and Collectorate of Customs, Lahore were arrested for involvement in the rebate scandal of Atlantic Carpets. According to newspaper reports, the firm claimed to have sent 94 consignments of carpets to Europe and USA in a single day and claimed a rebate of Rs 60 million on the consignment valued at 17.8 million dollars.

In January 1995, Customs Collectorate Karachi seized a consignment declared as 6000 dozens of knitted T-shirts of various colors and prints valued at Rs 1.5 million but on inspection the lot was found to be consisting of second hand T-shirts, 100 percent substandard factory rejects and semi-stitched pieces of different garments. The consignment was only meant to file rebate claim.

In the fiscal year 1991-92, Messers Concorod Export House, Quetta and Charly Enterprise, Quetta, in collusion with official of customs department registered export of 48 consignments of art silk cloth through Gwader Port and claimed rebate of Rs 131 million of which 121 million was paid to them. However, subsequently, it was found that no export had taken place at all and the export was faked to claim the rebate. A case was registered against the custom officials and the company which is still pending in court till 1996. 69 textile mills were found guilty of fraud by trying to obtain rebates by mis-declaration of quality and description of goods during January 1990-92.

But the best use or misuse of rebate facility was made by a tobacco company in late 1980s exporting cigarettes to Afghanistan and claiming rebates on sales tax and excise duty. Since duties account for 80% of market price of cigarettes, Finance Ministry found out that one dollar being earned by the company, through fake exports to Afghanistan was costing Rs 54 to Pakistan government. Hence rebate facility on cigarette export was withdrawn. As soon as the federal government plugged the misuse of cigarette rebate facility, the same company started importing cigarettes from its sister concern in Malaysia in Afghan transit trade, with the connivance of the custom officials.

Richest Individuals of Pakistan

During second Benazir government, Interior Minister Naseer Ullah Babar and Information Minister Khalid Ahmad Kharal made it habit to hold press conferences at which Nawaz Sharif and his House of Ittefaq was portrayed as Pakistan's biggest tax evader. None of these press conferences was ever attended by chairman CBR or any other income tax official.

While the two ministers failed to come out with details of any case of tax evasion registered by CBR against the former prime minister and his family they argued that members of Sharif family were presumed tax evaders because they pay only a negligible amount as income tax disproportionate to their lifestyle.

Nawaz Sharif paid Rs 3000 only as income tax in 1993 but this does not make him a tax evader because there are scores of other rich people, Ahmad Dawood, Nasim Saigol, Rafiq Habib, Mian Mohammad Mansha, Adamjee and Bawanys who have legendary wealth but do not income tax proportionate to their presumed income and lifestyle. Yet no case has ever been registered against them, evidently because like Nawaz Sharif, they too are making use of the exemptions, allowances and loopholes in the prevailing tax system.

Any income tax consultant would have told the two ministers that under the existing tax laws, the amount of wealth tax paid is allowed as deduction from the total income of the assessing year, and this total income is reduced to the extent of wealth tax paid. This is what Nawaz Sharif and his family members were doing. At the best Sharif and his likes were avoiding tax and not evading tax.

Ittefaq group emerged as one of the richest family of Pakistan, with four members declaring their assets to be in excess of Rs 30 million (one million US dollars), according to the Wealth Tax Directory published by the caretaker government in 1993. Only 19 other individuals assessed their assets to be in excess of Rs 30 million and they included three each from Rupali and Schon groups and two from Chakwal group.

Following is the list of millionaires (owning assets over a million US dollars) as emerging from the Wealth Tax Directory published by the caretaker government of Moeen Qureshi.

A List of Pakistan's RICHEST Individuals

(Rs in millions)

S.No	Name	Wealth	Wealth Tax
1	Kh. Mohammad Kaleem	284,313,715	5,43,519
2	Kh. Mohammad Javed	258,529,834	6,84,012
3	Shahbaz Sharif	127,485,359	3,316,833
4	Afzal Raza Qazalbash	101,190,203	446,533
5	Amir uddin Feersata	91,336,473	2,263,412
6	Noor uddin Feersata	87,020,121	2,170,503
7	Mohammad Saeed	86,162,815	101,973
8	Mohammad Yusuf	68,180,505	327
9	Nawaz Sharif	65,270,369	1,627,385
10	Mohammad Munir Nawaz	57,716,619	1,544,534
11	Ambar Saigol	57,146,973	2,004,045
12	S Tahir Hassan	49,886,910	1,225,610
13	Jafar Ali Feersata	46,781,329	1,300,834
14	Amir Hassan	46,117,850	1,251,690
15	Nasir Hassan	45,664,741	1,218,955
16	Ghulam Mohammad Fecto	44,916,815	4518
17	Khalil A Sattar	43,174,734	1,091,285
18	Haroon Tayyab	42,217,409	1,563,751
19	Mohammad Naeem	37,111,788	926,960
20	Abass Sarfraz	33,706,248	564,418

Source: 1993 Wealth Tax Directory

Sehr Saigol w/o Nasim Saigol declared her worth at Rs 188,51,382 while Shamim Farooq Saigol declared her assets at Rs 5,27,766 with Zero liability. Names of top industrialists like Nasim Saigol, Mian Mansha, Tariq Saeed Saigol, Rafiq Saigol, Rafiq Habib and members of Bawany and Dawood families did not appear in the tax directory at all or taxes paid by them was negligible.

"If my company announces a dividend, I will not draw my dividend and it will go to the reserve of the company and is reinvested. This reduces my tax liability", was implausible reply by Nasim Saigol when I asked him, as to how his name or others like him does not appear any where among the top tax payers.

Pakistan's Nameless, Faceless Billionaires

In April 1992, while I was traveling in interior Sindh to cover the kidnapping of three Japanese Students, I came across a simple roadside hotel-owner at Gothki, on the confluence of Sindh and Punjab province. It was to indulge in small talk that I asked him who the biggest landowner of the area was. His answer shocked me.

"The biggest landowner of this area is also Pakistan's biggest landowner. So Mr. Pressman, please tell me who is biggest landowner of Pakistan?" he responded by counter questioning me.

An unassuming man and the member of national assembly from Sukkur, Ghulam Mohammad Mehr who died in August 1995 owned 100,000 acres of agricultural land and was Pakistan's biggest landowner. This was confirmed to me by none else but his grandson.

From Gothki, a small road branches off to the native town of Ghulam Mohammad Mehr, Known as Khan Pur Sharif. His grandson, on vacation from studies from Europe confirmed what my guide had told me.

> *"My guide had told me that the land from Grand Trunk Road to Khan Pur Sharif belongs to your family?"* I asked him
>
> *"And from here to Indian border also"* came the prompt reply.

A former bureaucrat, Tasneem Ahmad, in an article, "The dynamics of bureaucrats", in the daily Dawn of November 22, 1994 observed that "the domain of deputy commissioner and superintendents of Police stopped short of Khan Garh of Ali Gohar Mehr".

In August 1990, when Benazir government was dismissed and replaced by caretaker government of Ghulam Mustafa Jatoi, a former Indian Ambassador S. K. Singh wrote in an article, reproduced by daily, The Nation, Islamabad that Jatoi was Pakistan's biggest landowner owning 80,000 acres of land. I asked Singh at a meeting in New Delhi as to how he found out the size of Jatoi's holdings? "It was Jatoi who had told me" replied Singh.

How Mehr and Jatoi could own tens of thousands of acres while agricultural reforms limited the land holdings to 150 acres is itself an interesting study for any enterprising journalist. But I can give a clue.

After Benazir government dismissal in August 1990, caretaker Interior Minister Zahid Sarfraz claimed at a press conference that Asif Zardari was a bigamist and was married to one Aruna before he married Benazir. To substantiate his claim, he distributed documents about a loan secured from Agricultural Development Bank of Pakistan (ADBP) by members of the Zardari family including Bilqis Sultana wife of Hakim Ali Zardari, daughter Azra Hakim Ali and one Aruna Asif Ali w/o Asif Ali Zardari. As expected, the claim was rediculed by Bhutto family but nobody cared to talk about the veracity of the documents, apparently because everybody was aware of the practice of land holdings in the name of non-existent wives and children.

Benami Ownership

Benami ownership or owning through proxy is Pakistan's biggest problem today and unless this bull is seized by horns no drive for resource mobilization or economic reform can succeed, since a big chunk of the real estate and Pakistan's bubble economy is today owned by front men.

Malik Naeem, Commerce Minister in first Nawaz cabinet, told a meeting of Financial Writers Association in Islamabad in January, 1993 that an individual (Seth Abid) had invested Rs 5 billion in real estate in Lahore but his name does not appear in any government transactions or government document. Seth Abid is not a member of Lahore Stock Exchange but his Abid group is controlling the exchange through 25 members including his son and son-in-law.

In fact, benami transactions have received stamp of approval from the court of Law, as the Commission of Inquiry into affairs of Mehran Bank scandal had observed " In our country benami transactions are common and have been recognised by the courts, and a seller of property sometimes does not know, nor is supposed to know who are real purchasers, so long as the price paid is fair and the transaction is fair" The Commission concluded.

The voiceless small investors have been shouting from rooftops that multiple applications and inside trading is the biggest scourge of the Pakistani stock exchanges, yet like an ostrich, burying head in the sands, Corporate Law Authority (CLA) has discounted all such claims. It was only recently in the case of Southern Electric Company's public subscription that CLA found 15 cases of multiple applications and took a firm decision that the amount worth Rs 15 million should be seized.

During Benazir's first stint for power, Asif Zardari was accused of arranging loans worth several billion rupees for his front men in Ansari Sugar Mills, Sakrand Sugar Mills and Noushero Feroz Sugar Mills and in duty-free shop project of Fauzi Ali Kazim.

According to a news item in Daily The Nation, dated 17-3-97, Sindh government Irrigation Secretary Idris Rajput accused Asif Zardari of constructing illegal water course on lands owned "in the name of his front man, one Ansari" in Rahuki town of Badin district. The prime objection of the government official was against the construction of illegal water course since there was nothing wrong in owning land through front men.

A leading carpet export business in Lahore, Gulshan Carpets is owned by ladies of Ittefaq group (Mariam Nawaz Sharif, Sabiha Shrif) but operated on their behalf by one Sheikh

Hamid. No reference is ever made to Gulshan Carpets in any of the business transactions of the Ittefaq Group.

Banks and DFI's during Nawaz Sharif era sanctioned loans and invited bids for projects without revealing the name of the project and location, making it clear that these were instances of Benami holdings.

In the New Islamabad City Project, the four nationals of Singapore reported to be directors in the Singapore-based company were apparently fronting for somebody else since they have had no previous record of doing business. In the private sector TV channel, four foreign directors are again fronting for somebody because their antecedents were not known.

Privatization Commission had to abort its deals fr the sale of Pak-Saudi Fertilizer in 1993 under Nawaz Sharif and in 1995 under Benazir because the buyers were found to be fronting for politically heavy weights. Same happened with the proposed sale of United Bank Ltd to Bashrahill.

A UAE-based company of "carefully obscured antecedents, ARY Traders was given the monopoly of import of gold into Pakistan by Bhutto government. "Who were the real beneficiaries of the decision to grant this monopoly?" President Leghari asked in his statement filed in Supreme Court, in 1997.

People with unknown and obscured means of income have successfully fronted for the political heavy weights because the Term of Reference (TOR) provided by the Privatization Commission stipulate that no question will be asked from the bidders about the source of income, because the foreign exchange accounts are above scrutiny and capital gains are exempted from income tax.

How Mehr and Jatoi own tens of thousands of agricultural land, in violation of agricultural reforms, an invisible Seth Abid invests Rs 5 billion in real estate in Lahore and controls Stock Exchange, how people can open scores of bank accounts, launch fake companies and borrow billions in their names? An answer to these questions can help plug some of the basic flaws in Pakistan's bubble economy and improve the working of institutions fathering corruption in Pakistan.

Chapter Four - Pakistan's Tax Web

Pakistan today has a mind-boggling taxation system that defies comprehension of the average citizens and experts alike. In 1990, Karachi Chamber of Commerce and Industry had established that the industry was subjected to 50 direct and indirect taxes but the statement of Senator Ilyas Bilour, President PFCCI at the Businessmen Conference in Islamabad on March 25, 1997 that 37 government departments and agencies were collecting taxes gives a measure of the proliferation of taxes that has taken place in Pakistan.

It was not in the province of this book to catalogue the taxes being collected by the federal, provincial and local governments but I have identified 70 major taxes to which consumers and producers are subjected. In addition there are host of specific taxes like a Research and Development Levy, Drug Manufacturing License Fee and Drug Registration Fee. It can be said safely that there are at least 100 taxes in vogue in Pakistan. It is not the proliferation of taxes that is mind-boggling. It is the exemptions to these taxes for the privileged, their duplication and triplication for the common man, the method of their collection and making refunds, utilization of specific-purpose taxes that is mind-boggling. There is an education cess levied by the federal government, another education cess is collected by provincial governments. The Central Excise Duty (CED) is being collected on the telephone bills by Pakistan Telecommunication Corporation but Baluchistan government introduced a duty on telephone calls in the 1996-97 budgets. Federal government has levied a Tobacco cess but in the 1997-98 budgets the provincial government of NWFP levied a Rs one per Kilo Tobacco Cess. Civil Aviation Authority collects an airport tax. There is a Workers Participation Fund and another Workers Welfare Fund.

There are federal taxes like Ushr being collected by the provincial governments, provincial taxes like motor vehicle tax being collected by the federal government. Local taxes like the property tax is being collected by the provincial government and reimbursed to municipal corporation and committees.

An appeal by the leading hotels and restaurants of Lahore in the national newspapers after the 1997-98 budgets exemplifies the multiplication of taxes in Pakistan.

"In the recent Punjab provincial budget, an additional tax of 10% has been levied on the posh restaurants and international hotels of the province. This is in addition to 12.5% Central Excise Duty and 5% provincial tax levied on July 1, 1996. Cumulatively, these taxes add up to about 30% which, by any national and international standards is extremely high", the appeal said.

The Stamp Act provides for stamp duty on 55 different categories of documents at a prescribed rate. Some of the documents specified are affidavits, agreements, allotment orders, attestations, bank guarantees, custom bonds, debentures, import documents, insurance policy, lease, partnership, power of attorney, security bonds, share transfer certificates, cheques, bank drafts and pay orders.

It is this proliferation of taxes and tax collectors which create an ideal situation for pilferages. This proliferation and pilferage of taxes has pitched the people and government in Pakistan, at two opposite horns of an economic dilemma. While the people are groaning under the heavy burden of taxation, the government leaders bemoan that the people do not pay taxes. They are both right because the taxes paid by the people do not reach the government coffers. They end up lining the pockets of the contractors and collectors.

Following are major taxes levied by the federal and provincial governments.

Federal Government Taxes

1. Income Tax
2. Super Tax
3. Wealth Tax
4. Gift tax
5. Turnover Tax
6. Corporate Asset Tax
7. Corporate Income Tax (A)
8. Import Duties
9. Import Surcharge
10. Export Duties
11. Iqra Surcharge
12. Income Tax on imports
13. Import License Fee
14. Import Registration Fee
15. Export Registration Fee
16. Central Excise Duty
17. Sales Tax on Manufactured goods
18. Capital Value Tax
19. Export development Surcharge
20. Development Surcharge on Petroleum
21. Gas Development Surcharge
22. General Sales Tax
23. Federal Education Cess
24. Workers Participation Fund
25. Workers Welfare Fund
26. Estate Duty
27. Zakat
28. Ushr
29. Oilseeds Development Cess on Companies
30. Tobacco Cess

31. Cotton Cess
32. Development Surcharge on Electricity
33. Textile Technology Cess
34. Airport Tax
35. Cargo throughout @ 2% charges freight charges and an additional three 3% for immediate clearance at Quaid-e-Azam Airport, according to an advertisement in daily, Business Recorder, February 12, 1998.
36. Capital Gain Tax

Provincial Taxes

1. Professional Tax
2. Property Tax
3. Vehicle Tax
4. Stamp Duty
5. Entertainment Tax
6. Betterment Tax
7. Social Security Contribution
8. Explosive License Fee
9. Provincial Education Cess
10. Capital Gain Tax
11. Punjab Airport Tax
12. Provincial Excise Duty
13. Karachi Dock Labor Board Cess
14. Cess on Hotels
15. Cotton Fees
16. Paddy Development Cess
17. Provincial Excise Duty
18. Land Revenue Tax
19. Employee Old Age Benefit Contribution
20. Trade Tax on Jewelers, Garment shops imposed by Baluchistan government in 1997-98 budgets

The Municipal Taxes

Like development, corruption bubbles up and trickles down and Pakistan excels in corruption both at the top and the bottom. While corruption at the top has been frequently highlighted, particularly by the sacking of three successive governments during 1990-96, very little is known about the corruption in municipal bodies which are the lowest wrung of government administration and exemplify the rot at the grass-root in Pakistan.

The Presidential Orders for the dismissals of the federal governments in 1990, 1993 and 1996 had referred to corruption in various government bodies and "authorities" as a ground for dismissal. The word "authorities" was used to refer to corruption in the development authorities like Capital Development Authority, Lahore Development Authority and Karachi Development Authority.

Pakistan has at least 16 development authorities and each one requires volumes like the exploits of Casanova to touch upon their corruption and rot. The 7-hour ordeal that Prime Minister Nawaz Sharif underwent on March 11, 1997 in the Faisalabad Development Authority, viewed by millions of people over Pakistan Television gave only a birds-eye view of the tip of iceberg of corruption in these authorities.

In addition to the 16 development authorities, Pakistan has two metropolitan corporations, 12 big municipal corporations, 24 cantonment boards, 6 Water and Sewerage Authorities and more than a hundred municipal committees. All these local government units have their own sources of income and budgets amounting to Rs 25 billion per annum nearly.

The tales of corruption that the government and opposition has been telling the nation for last two decades including the ripping-off the biggest development authorities like CDA,LDA, KDA and PDA. However, the plunder of smaller development authorities like the Rawalpindi Development Authority, Gujranwala Development Authority and Faisalabad Development Authority has largely remained untold.

At a press conference in Islamabad, on the eve of February 3, 1997 elections, Imran Khan, chief of Tehrik-e-Insaf released a list of 2,631 plots that were allotted by Nawaz Sharif during 1985-90, in violation of his powers and rules. A document distributed at the press conference estimated that “the cost of this large scale robbery by the leader of PML who presents himself as an honest leader to the nation comes to Rs 5 billion”

In 1990 and 1996 when Benazir Bhutto was dismissed, she was charged with allotment of CDA plots to favorites while her chief ministers were accused of similar malpractices in Karachi Development Authority and Peshawar Development Authority. It was alleged that she had caused a loss of Rs 1,310 million to CDA simply by allotting big size plots to educational institutions of her choice.

The foundation of corruption in the local bodies is the system of awarding contracts for revenue collection and other municipal functions to private contractors and over the years, the contractors, colluding officials and politicians have hammered out a mutually beneficial, pool system under which they are ripping off the common men but only a fraction of the amount reaches the government coffers. The common men and businessmen from all over Pakistan have complained against over charging by octroi contractors who are invariably political heavyweights or their henchmen. It was in response to this hue and cry that Punjab government put up advertisements in newspapers in the third week of March, 1998 asking the people to ring up two telephone numbers in Lahore if they have complaints of overcharging by octroi contractors.

The contractors and those who award the contracts have a simple way of cheating, both the government and the common men. The bids are invited on the basis of unrealistic low rates with the result that contract is awarded for a nominal amount. However, once the contract is awarded the contractor is given a free hand to overcharge and the bulk of the amount charged as octroi and other municipal taxes end up lining the pockets of the bureaucrats and contractors.

The daily Business Recorder, Karachi has regularly carried complaints by the business community against overcharging of municipal taxes by the contractors. According to a report in December 9, 1997 issue, the export of Molasses by the sugar mills in up country came to a standstill because the octroi contractors in Sindh were charging several times the due amount. Quoting the exporters of Molasses by sugar mills, the report said "Rawangi Mahsool (Export Tax)" on Molasses was fixed at Rs 15 per truck but the contractors were charging at Rs 75 per ton. In addition the exporters had to pay Rs 25 per ton at Karachi and KMC octroi of Rs 2 per ton. Thus total levies came to Rs 117 per ton which was more than 10% of the value of exports.

On June 25, 1996 when the Supreme Court restored the Local Bodies in Punjab, the first official work, some of the restored chairmen performed on rushing to their offices were cancelling octroi contracts and stop payment on the so-called development projects. They knew that their chairmanship was not worth a penny if the contractors awarded by their predecessors were to stay.

The municipal corporations and cantonment boards have up to 30 sources of income but the major head of income include the following:

1. Octroi consisting of import and export tax
2. Property tax levied at 3-4 percent if the value of transaction
3. Licence fee from vendors and shop keepers
4. Auction of bs-stops and stands for other vehicles
5. Auction of vegetable markets and slaughter houses
6. Water Tax
7. Fee for advertisement boards
8. Fee for approval of construction maps

The local bodies also raise small revenue from auctions for public latrines, disposal of trash and sewer water which is used as fertilizer but the income from sewer water has ceased because farmers have stopped using it as fertilizer because of plastic bags getting mixed into it.

Gross Anomalies in the Taxation System Breeding Corruption

We have stated earlier that the proliferation of taxes and tax collecting agencies itself is a fertile ground for corruption but the avenues of corruption grow when each of these taxes is full of exemptions and anomalies. A brief description of a few anomalies in some major taxes will help understand the regressive nature of the taxation system and in-built provision for corruption.

Income Tax

For years intellectuals and businessmen have been campaigning for an income tax on agriculture, unmindful of the fact that “income from agriculture”, is only first of 180 total exemptions from payment of income tax provided in the second schedule of Income Tax Ordinance, 1984, as amended in 1996.

The list of exemptions from total income tax include Capital gain, amount received on sale of dollar bearers certificates, income from private foreign currency accounts and host of other incomes. “Export of certain goods” is partly exempted from income tax but the goods enjoying the exemption and the degree of exemption is not elaborated. However, according to CBR yearbook, 1994, earnings from 258 export items are liable to exemption in payment of income tax, at varying rates.

Besides tax holidays in the industrial estates and 180 total exemptions, the taxation system has in-built loopholes that help the rich and influential in avoiding payment of income tax. Thus, in 1992 boom year for textile, only 36 textile units paid income tax amounting to Rs 141 million and both Benazir and Nawaz Sharif accused All Pakistan Textile Mills Association (APTMA) of evading taxes.

A frank and candid response to why Pakistan’s industrial barons are not paying income tax proportionate to their income was provided by industrialist Farooq Somar in an interview with monthly Newline, Karachi issue of October 1995. He was asked to comment on the fact that the entire textile industry pays less income tax than employees of one multinational.

“Under the tax laws prevalent in the country today, there is a thing known as “accelerated depreciation allowance”. This allows one, for income tax purpose, to show a loss by claiming accelerated depreciation on new machinery. This is not evasion of income tax but avoidance of tax through legal means” was his reply.

Export Duties

It is one of the most irrational set of duties at a time when government’s top priority is to increase exports. Ironically on the one hand, government is levying duties on export, on the other hand, rebates are being provided to exports.

Export duties were introduced by Z. A. Bhutto government in 1972 after the massive 110 percent devaluation to prevent windfall profits into hands of the exporters. But they have continued as a measure of revenue collection.

While an export tax is collected by the federal government, the local bodies also collect export tax on goods exported from their municipality, whether for domestic consumption or export. The export tax paid to the local bodies is claimed by the exporters for refund and has again given rise to new avenues for corruption and pilferage. In the sub-chapter about rebates bonanza, we have already referred to the statements of Punjab Minister for local bodies Raja Mohammad Basharat Elahi that the contractors of the export tax and octroi owed millions to the government in this head.

Development Surcharge

It is another irrational and exploitative tax which was rooted in corruption and has given currency to pilferage of government funds on a massive scale. The development surcharge was initially levied on fertilizer, natural gas and petroleum products and meant to "siphon off surplus profit of companies, representing the difference between the cost of production and fixed scale price, or between the average import price and the prescribed scale price of locally manufactured goods".

In simple words, development surcharge is levied on goods which are imported or produced cheap but are sold at high price fixed by government. However, over the years the purpose and the very nature of the development surcharge has been distorted and its worst form it is now applicable on WAPDA electricity bills, at such an exorbitant rate that the amount of surcharge far exceeds the original bill for electricity consumed.

As is obvious from the name, development surcharge was meant to finanace specific development projects but ironically a large portion of receipts from development surcharge are refunded, by way of refunds for specific purposes. As for example, a large portion of development surcharge from refineries is refunded to marketing companies to cover;

A) Transportation cost over and above the freight margin included in the consumer prices for the equalization of prices of petroleum products.

B) Imort cost of refined petroleum products over and above the ex-factory prices and

C) Operating charges of new storages constructed under government directives.

An estimated Rs 35 billion is expected to be collected by Development Surcharge on oil and gas during 1997-98. Meraj Khalid government had estimated that price equalization fund alone was costing Rs 13 billion to the government and therefore announced a time-frame for removal of freight equalization subsidy. The decision has been shelved and an eyewash of the former scheme is on the anvil under which petrol pump owners will be supplied petroleum products at ex-factory prices.

Capital Value Tax (CVT)

It was introduced in 1989 on transfer and sale of certain assets. CVT is payable when a property or an asset is acquired by individuals or companies. It was leviable on plots sold and allotted by development authorities, new and used motor cars and on urban property. The scope of CVT was expanded in 1996-97 budget, by levying it on air-tickets for foreign travel. It is charged at rate of 2.5% on immovable property, 1.5% on air tickets, at 1.5% on up to five year cars and 3.75 to 7.5% on 800-1600 cc cars.

Taxes for Rich

While politicians and bureaucrats talk in concert about the evasion of income tax they seldom raise hue and cry about the evasion and exemptions in taxes which are meant to serve a dual purpose raising public revenue and improving vertical equity. The wealth Tax, Capital Gain Tax, Estate Duty and Gift tax were all designed as leveler of wealth to prevent the rich from getting richer but over the years, their effectiveness has been eroded through exemption or they have been abolished altogether, without any qualms.

Wealth Tax

This tax was introduced in 1963 and was payable by individuals, partnership firms, association of persons and private limited companies but public limited companies and state enterprises were exempted. Section five of the wealth tax act exempted agricultural land from payment of wealth tax but 1977 budget required payment of wealth tax by people having other income also.

Many countries have abolished wealth tax in favor of a progressive taxation system and in Pakistan also there has been a demand for abolition of wealth tax on the ground that it helps create black money. The biggest argument against the tax was that yields from wealth tax are not worth the hassle and administrative machinery assigned to collect it. The wealth tax is also used by the tax evader to camouflage their tax liability, since the amount paid as wealth tax is deducted from the total income earned, to determine the total income tax liability. (also see Robber Barons of Pakistan).

Capital Gain Tax

As is evident from the nomenclature, the capital gain tax is payable by people making capital out of certain transactions. Thus if a plot is bought for Rs 10 lakh and sold for Rs 15 lakh then the gain of Rs 5 lakh is liable to capital gain tax. Same holds true about transactions on stock exchange. An exemption on Capital Gain Tax was introduced in 1975 which has remained enforced till to date.

More billionaires were made in Pakistan's bubble economy during 1990-93 on Karachi Stock Exchange than ever before but their gain remained untaxed because there was no capital gain tax. Similarly the real estate boom also went untaxed because of the same reason.

Estate Duty

Estate Duty was enforced in 1950 under the Estate Duty Act, 1950 on the market value of all moveable / immovable property of a deceased person passing on to his heirs. It was charged on the property of the deceased after deducting debts and encumbrances legally allowable from such taxable properties. The duty was meant to prevent the rich from getting richer but it was abolished in 1979 without any convincing reason and rationale. The decision was believed to be politically motivated as the property-owning classes' wielded influences on the government of the day.

The Gift Tax

The Gift Tax Act, 1963 was designed to prevent avoidance of tax on income and assets by transferring them through gifts and envisaged that gift exceeding Rs 0.5 million made to sons, daughters, father and mother would be liable to tax. However this tax too was abolished in 1985.

Thus all the rich-persons related taxes have been abolished or made ineffective through seried of exemptions and concessions and burden of indirect taxes on common men has been increased.

How Corporate Law Authority (CLA) Helps Them?

One of the best pieces of legislation emerging out of the 90 days of caretaker Prime Minister Moeen Qureshi was Companies (Amendment) Ordinance 1993, limiting the aggregate investment in associated companies, to not exceeding 30 percent of the equity of the lending company, with prior approval of at least 60% of the total shareholder.

The law was important because it sought to put an end to the corporate practices that had been instrumental in the concentration of wealth in few hands. In fact inter-corporate investment was the route taken by the, "Lahore Mafia" to acquire several of the profitable units privatized by first Sharif government.

The Monopoly Control Authority (MCA) annual report for 1991-92 found 308 cases of inter-corporate financing during the year and another report about textile found that 105 of 164 textile units examined by it, invested Rs 6,585 million and Rs 4,285 million repectively in 1991-92 and 1192-93 in their associated undertakings.

There was also a reverse flow from the associated companies to the parent companies and 92 textile units received Rs 2,524 million and Rs 2,222 million from their associated companies during the two years. Thus total inter-corporate financing in the textile sector during 1990-92 came to a staggering Rs 9 billion.

Even before the promulgation of Companies Amendment Ordinance 1993, company-law 1984 and related laws were impregnated with provisions aimed at checking the concentration of wealth and creation of cartels and monopolies. For example the company law required a listed company seeking to extend loan to an associated undertaking to give a notice, in at least two newspapers, stating what will be the security, terms of payment, profit or rate of interest etc.

The Monopolies and Restrictive Trade Practice, Control and Prevention Ordinance 1970 had clearly envisaged that the provisions prohibiting undue concentration of wealth will be attracted if an individual holds or controls more than 50% shares of a company. It also stated that a situation of undue concentration of wealth would arise if there are dealings between “associated undertakings” resulting in unfair benefits to the shareholders of one undertaking, to the prejudice of the other.

The law also established a presumption of unreasonable monopoly power when competing undertakings with 20% or more of a market are interlocked through common management or control or through common partners. It prohibited anticompetitive mergers and acquisitions and financial institutions from making loans to firm associated with them, on terms and in amount more favorable than those afforded to an unrelated firm. Many of the above mentioned situations emerged in respect of acquisition of five cement plants by Mian Mohammad Mansha and his relatives and business associates and yet Corporate Law Authority failed to take cognizance of the situation. When the unprecedented price hike of cement in the wake of privatization forced the government to launch an inquiry into the phenomenon, MCA concluded that “the MCA is unable to regulate prices of any goods manufactured by a dominating or single monopolistic firm”.

In an interview with Pakistan and Gulf Economists in March 10, 1990 issue, Chairman of Corporate Law Authority Irtaza Hussain had said, “in my view, the consolidation of group accounts should be introduced shortly” and that Corporate Law Authority will soon seek public comments on proposed Companies Court Rules with regard to windig up of companies.

The Chief Justice of Pakistan asked us to write down the rules (about winding up the companies) and they are voluminous at the Companies Ordinance. Comments of Honorable Judges of High Court have already been received and I am glad to say that these have been approved recently. Within two months, the draft rules are expected to be public for public comments” he had said emphatically.

Ironically, Irtaza Hussain has been member of every commission, committee or working group set up by successive governments during last eight years but the need to require the big business to publish consolidated group accounts and promulgate rules about liquidation of sick companies has apparently withered away and therefore, has not been mentioned by any working group or committee seeking to reform the corporate sector.

The company law, 1984 required the entire private limited companies to go public if their paid up capital exceeded Rs 50 million. However, there are score of private limited companies with annual turnover ranging between several hundred million to 2 billion rupees but they have not gone public. These include Mohammad Amin Mohammad Bashir (pvt) Ltd, the parent company of Crescent Group, Alnoor Fertilizer Industries, Jaffer Bros, Dawood Corporation, Tabani Corporation, Arfeen International owning Pakistan’s biggest oil tanker, Ghani and Tayyab (pvt) Ltd of Haji Tayyab, Ittefaq Foundary, Shahnawaz Ltd and Mercury Corporation.

How CLA has facilitated people to make quick money can also be illustrated by the following example.

> Allied Bank Ltd (ABL) President Khalid Latif was arrested by Federal Investigation Agency (FIA) on January 11, 1995 for financial bungling relating to Allied Bank Modaraba. According to complaint, a section officer of Ministry of Finance, Khalid Latif had drawn Rs 30 million from a branch of his own bank, in the name of Pak Trading Company, set up, on the security of fake export bills. The amount was used by him to purchase shares of Allied Bank Modaraba, in the name of eight different persons.
>
> Similarly Yunus Habib Chief Executive Officer (CEO) of Mehran Bank, now serving prison was accused to have incorporated 27 fake companies in whose name he was drawing money from his own bank. Schon group is reported to have set up string of fake companies to withdraw Rs 662 million from National Fibre after its privatization. How a fake company can be floated and shares can be bought in the name of eight different persons prove that something is very wrong with the Corporate Law Authority which registers the companies and oversees the floating of shares.

Previously we have already elaborated How Pakistan Services Limited (PSL) was used by Hashwani to make a chain of subsidiaries in Pakistan, UK and USA.

Chapter Five – Money and Politics

> *Elected representatives engaged in any private business will be subjected to specific restrictions that will be brought in through appropriate "conflict of interest legislation"*
>
> *Pakistan Muslim League, manifesto 1997*

In his book about the business communities of India, Dwijendra Tripathi had noted that the Mughal rulers, "by and large abstained from interfering in the internal affairs of well-knit business communities, leaving them to manage their affairs and similarly the merchants big or small tried to stay away from the agents of the government". He pointed out that if political authorities had to intervene in disputes of the business communities, they took great pain to appear neutral when adjudicating such matters. This fact was illusterated by referring to the attitude of Mughal monarch AKBAR in the dispute between two claimants of Bohra community of Gujrat in the 16th century namely, Sheikh Suleman and Syedna Dawood bin Qutbshah for which intervention of the King was sought who constituted a high-level tribunal headed by two nominees of the claimants Abdul Fazal Aziz Koka and Hakim Ali Jilani to adjudicate the case.

Holding each other at arms distance was good for the government and business that worked independently in their worlds and complimented each other, Tripathi concluded. What Mughal rulers were practicing in the 16th century India is a law today in most of the civilized world, requiring politicians to compartmentalize their business interests and public life.

Unfortunately this tradition of compartmentalizing administration, business and politics could not take roots in Pakistan where bureaucracy played godfather to businessmen and politicians from day-one and business and politics became two faces of the same coin. The allegations that Benazir Bhutto and Nawaz Sharif have traded, spring mainly from the fact that Zardari and Sharif failed to draw a line between their business interests and the affairs and interests of the state.

General (R) Hamid Gul, former chief of ISI (Inter Services Intelligence), has many times talked about his meeting in Model Town, Lahore with Nawaz Sharif, on the eve of his assumption of office of prime minister in 1990, Gul had brought together the opposition alliance of Islami Jamhoori Ittehad (IJI) that swept the elections and is a way it was a meeting of the mentor and the protégé.

Gul said he advised the incoming prime minister to place his business in a trust, for the duration of his term of office. While Nawaz Sharif did not reply, his father, Mian Mohammad Sharif lost temper, saying that all their lives they have queued for bank loans, but now that their day has arrived, the general wanted them to cap their business.

During Nawaz Sharif's premier-ship, Interior Minister Chaudry Shujaat Hussain and later during Benazir's premier-ship her spouse Asif Zardari, defended their right to obtain bank loans, "like any other citizen of Pakistan". All three, Mian Mohammad Sharif, Chaudry Shujaat Hussain and Asif Zardari have been to prison, on charges of corruption relating to their business activities during their hay days, yet they see nothing wrong in mixing business with politics.

Since the creation of Pakistan, businessmen and industrialists have been active in politics and affairs of the state. Yusuf Haroon was first chief minister of Sindh and persons like Ahmad Dawood, Nasir A Sheikh, A K Sumar, Ahamd Qadir (Jalil) and Rafiq Saigol held important official posts in the ruling parties and governments before the advent of Z. A. Bhutto era. However it was Zia ul Haq era which harvested a bumper crop of businessmen who entered politics and politicians who made fortune in business, using one to serve the other, without qualm of conscience.

The politicians who are currently pursuing careers both in business and politics on a grand scale include Mian Nawaz Sharif, Asif Zardari, The Haroons, Saifullahs, Ahmad Mukhtar (Service Industries), Shahid Nazir (Kohistan Transport), Chaudaries of Gujrat, Gohar Ayub, Basharat Elahi, Noons, Jatoi and Sumro.

Then there are no 2 politicians like Khalid Ahmad Kharal (Accord Textile), Faisal Saleh Hayat (Shah Jiwana Textile), Akhtar Abdul Rehman (Tandianwala Sugar, Superior Textile, Grace Textile), Nawaz Khokhar and Islam ud Din Sheikh.

Ittefaq comprise of at least 30 industrial units with assets etimate ranging between Rs 10-30 billion. Chaudries group comprise of at least 10 units. During the National Debt Retirement Scheme announced by second Nawaz Sharif government in 1997, Chaudry Shujaat was reported by a Veteran journalist Saud Sahir, in Weekly Takbeer, Karachi to have stated that the he could bring any amount of foreign exchange target without leaving Pakistan.

Saifullahs are in politics for six decades and have the distinction of being part of almost every federal or provincial government in Pakistan since the days of Z. A. Bhutto. Under Zia ul Haq, two members of the Saifullah family, Kalsoom Saifullah and Salim Saifullah were federal ministers. In second Bhutto government when a reporter accused Petroleum Minister Anwar Saifullah of planning privatization of OGDC for his personal benefit, observing that if he succeeded in his plan he would become Pakistan's richest man, he retorted angrily with remark, "But I am already Pakistan's richest man".

Some of the known units of Saifullah's are Kohat Textile Mills, Frontier Textile Mills, Saif Textile Mills, Bannu Flour Mills, Nasa Construction, Saif Beverages, Saif International Combine, K K A Co (pvt) Ltd, Sarhad Pre-stressed Concrete, ASTRA Ltd, Pakistan Mobile Corp and K A K Investment (pvt) Ltd.

The biggest proliferation of politicians has taken place in the setting up of sugar mills. During first Benazir government, Zardari was accused of setting up sugar mills through front men and when Nawaz Sharif was in power, he was accused of using political muscles to get loans and business for Ittefaq Foudary manufacturing sugar plants.

Apart from Ittefaq, Chaudries, Zardari and Hamayun Akhtar Abdul Rehman, several other politicians like Jam Mashooq Ali (Thar Sugar Mills), Manzoor Watto (Sutlej Sugar Mills), Naseerullah Dareshak (Indus Sugar Mills), Pir Pagara (Kingri Sugar Mills) and Islam uddin Sheikh have secured loans for sugar projects and almost all of them were in default.

Politics and Corruption

Governments have been trying to fight corruption in Pakistan since the 1960s when a special committee for eradication of corruption from services headed by S. Fida Hassan was formed. It observed in its report that corruption was on the rise because of the following reasons.

"The causes of corruption are said to be a general decline in the moral values. Official procedures are so outmoded and cumbersome that at every stage, it is possible for a corrupt functionary to impede the progress of a case". It noted and added that " corruption was one of the main corroding factors which ultimately brought about the decline and fall of the Roman Empire and many centuries later that of Ottoman Empire", because it affects the economy and efficiency of the body politics of the country.

Two decades later, American Management magazine CEO defined corruption in Pakistan as "the extent to which getting ahead economically depends on having and greasing the right hands in the government, and conversely, the extent to which officials use their office to make money; also the vulnerability of the average citizen to extortion by police and bureaucrats".

Corruption was a factor common in the dismissal orders of the thee governments since 1990.

On August 5, 1990, when Benazir government was dismissed , President Ghulam Ishaq Khan issued a 23-page indictment and alleged that "corruption and nepotism in the federal government, its functionaries, authorities and agencies, statutory and other corporations including banks working under its supervision and controls and holders of public representatives had reached such proportions that the orderly functioning of the government in accordance with the provisions of the constitution including the requirements of oath(s) prescribed in the constitution does not any longer carry public faith and credibility and despite being subject to wide-public condemnation, the government failed to take appropriate actions in this behalf.

On April 18, 1993 when the first Nawaz Sharif government was dismissed, the dissolution order said that "mal-administration, corruption and nepotism have reached such proportions in the federal government, its various bodies, authorities and other corporations including banks supervised and controlled by the federal government, the lack of transparency in the process of privatization in the disposal public/government properties, that they violate the requirements of the oath(s) of the public representatives together with the prime minister, the ministers and the ministers of state prescribed in the constitution and prevent the government from functioning in accordance with the provisions of the constitution".

The most recent presidential Order of November 5, 1996 also emboided indentical charges against Bhutto government sacked for the second time. It said that "corruption, nepotism and violation of rules in the administration of affairs of the government and its various bodies, authorities and corporations has become so extensive and widespread that the orderly functioning of the government in accordance wth the provisions of the constitution and the law has become impossible and is some cases national security has been endangered. Public faith in the integrity and honesty of the government has disappeared".

Benazir, Sharif - Cataloguing Corruption

Since 1988 Benazir Bhutto and Nawaz Sharif have been trading places and feeding stories of each other's corruption to the nation. To borrow an ancient proverb, they fell in ditches that they dug for each other.

In 1988-90, when Benazir was prime minister and Nawaz Sharif chief minister, Punjab, Benazir was accused for taking kickbacks in airbus deals, trying to sell Roosevelt Hotel in New York owned by Pakistan International Airlines at throwaway prices and allot plots in Islamabad abandoned by Bengalis to favorites. Sharif's press adviser Hussain Haqqani gave currency to the title of "Mr Ten Percent" to Asif Zardari who was accused of setting up sugar mills through front men and pressurizing banks to dish out loans to his nominees.

In retaliation, PPP came out with a list of 100 instances and cases of corruption by Mian Nawaz Sharif including allotment of 343 Kanals of prime and land in Murree to Zafar Iqbal of Abu Dhabi at throwaway prices, violating foreign exchange rules, over invoicing and under invoicing in business deals and use of funds beyond his discretionary powers.

These charges were peanuts when viewed in the background of charges of corruption flying against the rulers and former rulers today. A chronology of the charges of corruption against former and present prime minister gives a measure of progress that Pakistan has made between 1990-97, in respect of corruption and plunder.

First Benazir government was dismissed on August 5, 1990, replaced by a caretaker government headed by Ghulam Mustatfa Jatoi in which Kamal Azfar was Planning Minister and Zahid Sarfraz, Interior Minister. Like a ritual, the two ministers daily told tales of "royal couple's" corruption over television.

In the previous chapter we have already discussed a press conference by the federal Interior Minister, Zahid Sarfraz, at which he distributed documents showing that Asif

Zardari, Hakim Ali Zardari and three other members of the family had submitted forged documents to borrow Rs 40,000 from the Agricultural Development Bank. In less than a decade and half this borrower of Rs 8,000 from ADBP was to emerge as one the richest man in Pakistan.

Four references were filed against Benazir Bhutto, three against Asif Zardari and one against Hakim Ali Zardari. These included:

- Illegal allotment of Lakeview Hotel to a front man of Asif Ali Zardari.
- Illegal and irregular allotment of LPG
- Undue pressure on Habib Bank to sanction a loan for duty free shops to Fauzi Kazim.
- Award of contract for export of cotton at reduced prices to Releigh Brothers.

Three references were filed against Asif Zardari for:

- Use of pressure on Habib Bank Ltd to sanction Rs 70 crore (700 million) loan for Fine English Hotel and White and White Hotel
- Putting pressure on United Bank Ltd to sanction Rs 7 crore (70 million) loan to one Ghulam Mustafa Memon
- Putting pressure on Habib Bank for award of loan to Fauzi Ali Kazim who was reported to have stated in an affidavit that Zardari was holding 49% equity in the project.

A reference was filed against Hakim Ali Zardari alleging that he had received Rs 24 lakh from Pakistan State Oil (PSO) for renting out 1000 yards of land that did not belong to him.

In November 1990, Nawaz Sharif came into power and now, it was Benazir's turn to pay him in the same currency, accusing him of taking kickbacks in Lahore-Islamabad Motorways and Yellow Cab Scheme, selling family silver at throwaway prices, extracting huge loans from the nationalized banks to build the House of Ittefaq. Her harshest condemnation of government came in a well documented publication. The Plunder of Pakistan, which accused Nawaz Sharif of being responsible for the collapse of the cooperatives, manipulation of custom duties on iron scrap and several other irregularities. A "gang of four" comprising of the Nawaz Sharif family, Chaudris, Basharat Elahi (Brother-in-law of Zia ul Haq) and Saifullah was accused of milking the banks and financial institutions.

A sustained compaign by Benazir against corruption of Nawaz Sharif, supplemented by independent reports in the press, provided the ammunition to President Ghulam Ishaq Khan to fire Nawaz Sharif and install a caretaker government headed by Balkh Sher Mazari. Zahid Sarfraz was again there as chairman of an accountability committee.

"Never in the political history of Pakistan and for that matter, in the history of entire world, a prime minister and his family has manipulated and devised policies to suit their personal business interests, as the deposed Prime Minister Nawaz Sharif did. Even a cursory probe into economic, fiscal and taxation policies of past government reveals that its recurring single point agenda was to find ways and means to grab money and accumulate wealth", he declared at a press conference.

The charges against Nawaz Sharif as tax evader and loan shark continued during three years of second Benazir government and Nawaz Sharif claimed that 150 cases of corruption and irregularities were instituted against him and his family members. None was proved.

It was alleged that Nawaz Sharif was evading taxes, caused a loss of Rs 2 billion in Lahore Development Authority (LDA) in allotment of plots, that he spent Rs 200 million from Baitulmal, Rs 845 million from Tameer-e-Watan program and the rural electrification program.

But why is it that no single politician and bureaucrat have been convicted despite so clear circumstantial evidence against them. Is it because of brotherhood among thieves or because you can not set a thief to catch a thief? A plausible answer was provided by Chief Ehtasab Commissioner Mujadad Mirza at a press conference on December 17, 1996, convened to discount the impression that his office was slow in processing cases of corruption.

Mirza said his office was reluctant to make public details of several cases of corruption because those involved in the cases might "destroy the evidence and win over the witnesses". This is exactly what has happened in most of corruption cases filed against previous rulers.

In the references about Lakeview Hotel and sanction of loan by Habib Bank to duty free shops against Benazir Bhutto, Shafi Sehwani, the member planning, CDA and Safdar Abbas Zaidi, President Habib Bank were the key witness. Their refusal to testify won them lucrative jobs in the next government. Sehwani was rewarded with chairmanship of the Capital Development Authority and Safdar Abbas Zaidi was appointed head of Pakistan Investment Board when Bhutto came into power in 1993.

The reference of LPG against Benazir was not proved because the whole record about allotment of LPG had disappeared but the official incharge was rewarded with a promotion after the change of the government.

The biggest charge against Nawaz Sharif during 1990-93 related to sanction of loans at inflated cost estimates for sugar mills manufactured by Ittefaq Foundary and bulk of these loans was made available by Bankers Equity Limited. After the dismissal of Nawaz government, chairman BEL Saeed Sadiq was appointed office Secretary in Pakistan Muslim League secreteriat in Islamabad.

On November 5, 1996, Benazir Bhutto was dismissed for the second time and a series of corruption charges were framed against her, in the dismissal order and the statement filed by President Farooq Leghari, in the Supreme Court of Pakistan. These included charges that a 2.5 million Pound Sterling retreat was purchased as Surrey, for which household goods were sent in 21 cartons by PIA.

Hakim Ali Zardari purchased two Mansions located at Chemin Department 921, Mensil Liebray for 6 million Francs and at Mormanville Hameau, in 1990.

Ministry of Petroleum and Natural Resources awarded US dollars 3,50,000 study to messers Improved Petroleum Recovery (IPR), represented by a company of Saif group of Petroleum Minister Anwar Saifullah.

It was alleged that 12.5 acres of land was alloted for the construction of a hospital by brother of Anwar Saifullah, as a joint venture with CDA in which CDA was to take part by providing land worth Rs 300 million as its equity. Land was also alloted to nine institutions at highly reduced price for construction of educational institutions worth Rs 329 for merely Rs 40 million. Allottees included Sindh People Welfare Trust headed by none other but Benazir Bhutto, mother of Shahnaz Wazir Ali and sister of Nahid Khan, political secretary to Prime Minister Benazir Bhutto.

Sixteen acres of land at Shakarparian in Islamabad was allotted to Messers Inter Pak Hotels in which Asif Zardari's brother in law had an interest, for construction of hotel, as a joint venture with CDA. The land was valued at Rs 310 million of which allottee was required to pay Rs 10 million while Rs 150 million was to be treated as CDA equity and balance Rs 150 million was to be paid in installments over ten years period.

As in her previous stint, this time also Benazir Bhutto was accused of irregularities in award of quota for 190 tons of Liquefied Petroleum Gas (LPG) involving a daily profit of Rs 16,72,000 or Rs 582 million per annum to four favorites. According to an article in The Friday Times, Senator Gulzar who was given quota of 30 tons per annum in 1988-90 was awarded a quota of 50 tons yielding him of an income of Rs 4,40,000 per day or Rs 160 crore (1600 million) per annum. LPG which was to become available in September 1997 (350 tons) and September 1998 (35 tons) was allocated to him in anticipation.

One single firm ARY Trading was given monopoly for import of gold. Hussain Lawai, President Muslim Commercial Bank who was allegedly involved in the deal had to tender his resignation from the Bank, was arrested by FIA, allowed to leave Pakistan and is now living with owner of ARY Trading in Dubai.

Two Swiss firms were given the contract for pre-shipment inspection of imports for which they were paid Rs 5 billion per annum. It was because of the commission paid by these companies that Bhutto family accounts in Switzerland were seized.

Of all charges against Benazir, only one case relating to commission and cutbasks in award of gold monopoly to ARY Traders has been registered against Benazir Bhutto so far.

Chapter – Six

Pakistan's Robber Barons

Nishat	Saigol	Crescent	Dewan	Ittefaq
Chakwal	Saphire/Gulistan	Habib	GulAhmed/ Al-Karam	Packages
Atlas	Hashwani	Dawood	Bibojees / Saifullah	Monnoo
Fecto	Lakson	Fateh	Bawany	Sargodha
Al-Noor	Ghulam Farooq	Ibrahim	Schon	United
Rupali	Dadabhoy	Colony	Shahnawaz	Premier
Umer	Fazal / Fatima	Calico	Jehangir Elahi	Adamjee
Tawakkal	Kassim Dada	Kohistan		

Nishat

Nishat is Pakistan's biggest industrial and financial conglomerate controlling assets worth Rs 192 billion and its Chairman, Mian Mohammad Mansha Yahya represented on the board of 45 companies is undisputedly Pakistan's richest individual.

Mian Mansha has catapulated to the top of Pakistan's richest families from the 15th position in 1970 and 6th in 1990 because of combination of factors like his marriage to Naz, daughter of Yusuf Saigol, a lot of luck and bit of politics under Nawaz Sharif.

"Investing in the shares of Muslim Commercial Bank (MCB) has been one of my biggest business slip ups. In hind sight, I should have never invested in this bank", Mansha told Ayesha Haroon of daily, The Nation, Islamabad when asked to comment on the general perception that MCB was privatized to him and his associates because of his friendship with Nawaz Sharif.

Windmills of God work in strange ways. In 1948 when Mansha's father Mian Mohammad Yahya and his three brothers incorporated a partnership concern, it was called Nishat Corporation after Nishat Haroon, the three year old grandson of Mian Mohammad Yaqub, eldest of the four brothers. The child who gave his name to the group has disappered in thin air and Mian Mohammad Mansha, Chairman Nishat Group is today on top of Pakistan's corporate world, boastfully accustomed to buying his casual outfit from Harbe Frog on Bond Street, shoes enevitably from Gucci, cardigons and overcoates from Burbery's.

Mansha was the only son of Mian Mohammad Yahya whose death in 1968 forced him to give up studies in UK to return home since several of his cousins, Abdul Aziz, Aftab Iqbal and Mian Mohammad Farooq were already entrenched in the family business. Nishat Haroon was born to Mian Farooq who was married to the daughter of Mian Fazal Rehman of United Textiel Mills, Multan.

Like several other Chinioti businessmen, Mian Yahya had a leather business in Calcutta, India before moving to Pakistan in 1947 and it was perhaps in Calcutta that he developed friendship with Yusuf Saigol that led to the marriage of Mansha and Naz Saigol sometimes around 1970.

In 1970, Nishat comprised 6 units in West Paksitan, namely Nishat Corporation, Nishat Sarhad Textile, Nishat Textile Mills, Faisalabad, Nishat Chemical Industries and Nishat Agencies, Kotri and Karimi Industries, Nowshera.

The units in East Pakistan included Nishat Jute Mills, Qadaria Textile Mills, Tangail Cotton Mills and Chemical Industries of Pakistan. The business in East Pakistan was headed by Aftab Iqbal, one of several cousins of Mian Mansha whose where abouts are not known today.

It is popular saying among the present day residents of Chiniot that the goddess of wealth is in love with the Chiniotis. But Mansha is perhaps being loved by both the goddess of love and lady luck since he has narrowly escaped the misfortunes that were the lot of the bulk of Pakistani Industrialists in 1970.

When divisions of Nishat group assets took place in 1969, Mansha bargained for Nishat Mills at Faisalabad for which he had to pay an additional amount to his uncles but this saved him from losses in East Pakistan that became the lot of his uncles. Karimi Industries, Nowshera of Nishat group was nationalized and its nationalization is cited to argue that Bhutto's nationalization was an act of victimizing the opponents because it was too small to be nationalized. But loss suffered in Karimi Industries also came to lot of his uncles.

"I have had many lucky breaks. Luck has always been on my side. New projects just crop up before I have stopped doing the old ones", Mansha told Mahmood Awan of daily The Nation in 1990.

Mansha's rise begin in 1991 when within six week of coming into power Nawaz Sharif sold MCB to National group of 12 leading industrial families headed by him. The formation of National group itself was big strategic stroke of Mian Mansha against future reprisal by any govt since it would instantly alienate 12 leading industrial families of Pakistan.

According to group profile, Nishat comprised of five companies with assets worth Rs 2,480 millions in 1990 with plans for four new companies. Listed comapnies included Nishat Mills, Omer Fabrics and Raza Textiles while the only unlisted company was

General Stitching Company. Mansha had said in interview with Mahmood Awan that "for long-term investments, he had his eyes set on the food processing industry" but the privatization of Nawaz Sharif opened new doors for him and his dream to venture into food processing industry has not materialized to date. Instead, Mansha, his relativess and business associates emerged as the biggest beneficiary of the privatization under taken by Nawaz Sharif, ending up with five cement factories and a bank. Mansha claimed in a talk over telephone with the author that MCB helped the Employee Buyout of Millat tractors from the Privatization Commission.

Nishat currently comprises of 21 companies including 13 listed companies with manufacturing assets of nearly 27 billion and three of Mansha's close relatives, Saigols, Jehangir Elahi and S M Saleem of United Bank among the top 45 industrial families in Pakistan. Mansha has a daughter and two sons.

Nishat Group Companies

S. No	Name	Assets	Turn over *(in Million Rs.)*
1	Nishat Mills	9,236	6,748
2	Raza Textiles	302	421
3	Omer Fabrics	854	629
4	Nishat Chunian	910	663
5	Nishat Tek	986	236
6	General Stitiching	78	68
7	D G Khan Cement	7,775	1,547
8	Maple Leaf Cement	6,686	1,030
9	Nishat Fabrics	-	-
10	Gener Tech	963	225

Financial Assets

S. No	Name	Assets
1	Muslim Commercial Bank	163,325
2	Fidelity Investment Bank	1,502
3	Fidelty Leasing	318
	Total Financaial Assets	165,145

Unlisted Companies

S. No	Name
1	Nishat Finishing Mills
2	Nishat Capital Management
3	Trust Management Services
4	Chunian Fibre
5	Nishat Europe
6	Newbery Mansha
7	Maple Leaf Electric Company
8	D G Khan Electric Company

The Saigols

Wealth by itself is a curse.

Yusuf Saigol, The Friday Times 20-5-1993.

The Saigols moderately describe themselves as "an erstwhile family of traders" but they are Pakistan's Tatas and Birlas and have remained Pakistan's wealthiest industrial clan for last five decades despite the fluctuations in their fortunes and a brief interlude (1972-77) during which they tried their luck in Saudi Arabia.

"The first LC for a textile mills at the State Bank in independent Pakistan was opened for Kohinoor Textile Mills" set up at an esteemed cost of Rs 8 million in 1948, Nasim Saigol said in an interview with the author.

Amin Saigol, the founder of Saigol dynasty hailed from village Khotian, now Saigolabad in Jehlum and had migrated to Calcutta in 1890 where he started a shoe shop which led tho Bihar Rubber Works in 1938, later christened as Koh-i-Noor Rubber Works. It was one of the biggest rubber manufacturing concerns of pre-partitioned India.

Amin Saigol had four sons, of which three- Yusuf Saigol, Bashir Saigol and Sayed Saigol migrated to Pakistan in August 1947 but fourth Gul Saigol stayed back in India taking care of the leftover business until it was expropriated by Indian govt, as enemy property in the 1965 war.

The Saigols have grown with country, setting up factory after factory, industry after industry. Their biggest project was Kala Shah Kaku Chemical Complex near Lahore which comprised five units namely Kohinoor Rayan Ltd, United Chemicals, Insecticides (Pakistan) Ltd, Kohinoor Oil Mills Ltd and Kohinoor Engineering Ltd. Starting with a textile mills in 1947, in less than two decades, they had their fingers in almost every business in Pakistan ranging from chemicals, synthetic fibres, cooking oil, sugar, engineering, construction and banking.

The Saigols launched United Bank in 1959 and when nationalized in 1974 it had 668 domestic and 31 overseas branches. All the five units of Kala Shah Kaku Complex were nationalized in 1971 and according to Nasim Saigol, the family lost 70% of its assets in Bhutto's nationalization.

Only textile wing escaped nationalization but as Pakistan People's Party manifesto had envisaged the nationalization of big textile units also, no new investment was made in the textile industries during the six years of Bhutto rule.

Like many other Pakistani industrialists, the Saigols lived out the Bhutto era abroad, in Saudi Arabia where they launched Conforce Construction Company in collaboration with Germany's Veba Group who is said to have put up nearly 100 million dollars for trading in cement and other construction material in the Gulf countries. The management was entirely left with Saigols but the partnership quickly fell through and the Saigols were put through the legal grinder.

In 1976 Saigols decided to split, apparently as a part of the strategy to spread the eggs in many baskets. The assets that had escaped nationalization comprising of textile mills at Faisalabad, Rawalpindi and Quetta, sugar mills at Jauharabad, Conforce Limited and Saigol Brothers limited were divided among 15 male Descondants of the founding fathers. The Saigols are currently operating in three distinct groups headed by Nasim Saigol, Tariq Saeed Saigol and Rafiq Saigol.

Yusuf Saigol who founded Kohinoor Textile Mills and United Bank Ltd was the moving force behind the Saigol dynasty. Like John D Rockefeller who had six children, he had a big family, six sons and two daughters. Sons are Mohammad Rafiq, Mohammad Shafiq, Nasim, Javed, Azam and Aftab Saigol. One of the daughters Naz was married to Mian Mansha and the second to a cousin.

Bashir Saigol was assigned the managing directorship of Kohinoor Textile Mills, Rawalpindi and Conforce Limited. He is survived by son Iqbal Saigol, who heads his own small group. After the division of the family silver, KTM Rawalpindi came to the lot of Tariq Saeed Saigol who is now heading his own Kohinoor group.

Saigol group headed by Nasim Saigol is perhaps Pakistan's biggest group in engineering goods industry with projects on the anvil for a car assembly plant with Daewoo and motorcycle assembly plant with Qingqi group of China. It is also the biggest manufacturer of air conditioners, deep freezers and electric good supplied to WAPDA.

Nasim Saigol group

S. No	Name	Assets	Turnover
1	Kohinoor Indurties	2,428	2,265
2	Azam Textile	407	462
3	Saritow Spinning	333	183
4	Pak Electron	1,589	1,309
5	PEL Appliances	349	360
6	Kohinoor Power	614	243
7	Kohinoor Energy	-	-
	Total	**5,720**	**4,822**

Financial Assets

S. No	Name	Assets
1	Union Bank	8,832
2	Union Leasing	172
	Total	**9,004**

Farooq Saigol Group

S. No	Name	Assets	Turnover
1	Mohib Textile	3,206	1,429
2	Kohinoor Sugar	811	308
3	Mohib Exports	714	651
4	Kohinoor Edible Oil	639	897
5	Security Safe Deposits	-	-
	Manufacturing Assets	5,370	3,797

Tariq Saeed Saigol

S. No	Name	Assets	Turnover
1	Kohinoor Textile	1,843	1,078
2	Kohinoor Gujar Khan	372	418
3	Samin Textile	587	728
4	Kohinoor Raiwind	653	578
5	Kohinoor Weaving Ltd	-	-
6	Kohinoor Genertech	-	-
	Total Assets	**3,455**	**2,802**

Iqbal Saigol

S. No	Name	Assets	Turnover
1	Kohinoor Looms	296	211
2	Saitex Spinning	157	183
3	Sally Textile	204	249
	Total	**657**	**643**

Unlisted Companies Nasim Saigol

1. Saigol Computers (Pvt) Ltd
2. Saritow Pakistan Ltd
3. Conforce International
4. Saigols (Pvt) Ltd
5. Saigol Textile Mills Ltd
6. Alpha Textile
7. Summit Textile Mills
8. Saigol Estate (Pvt) Ltd
9. Smartelle Fabrics
10. Packing Industries (Pvt) Ltd
11. PEL-DAEWOO Electronics Ltd
12. Kohinoor Motor Works
13. Kohinoor England

Farooq Saigol

1. Mohib Fabrics Industries Ltd
2. Regent Knitwear (Pvt) Ltd
3. Regent Spinning Mills (Pvt) Ltd
4. Regent Marketing International Ltd
5. Regent Dying and Finishing Mills (Pvt) Ltd
6. Kohinoor Trading Company
7. Mohib Weaving Mills (Pvt) Ltd
8. Kohinoor Technical and Management Services
9. Purjosh Kissan (Pvt) Ltd
10. Regent Power Generation (Pvt) Ltd
11. Workforce (Pvt) Ltd
12. Kohinoor Consultants (Pvt) Ltd
13. Conforce Overseas (Pvt) Ltd
14. Kohinoor Engineering (Pvt) Ltd
15. Regent Cotton Industries
16. Regent Fibres
17. Regent Gineries (Pvt) Ltd
18. Regent Printing (Pvt) Ltd
19. Lease Pak Ltd
20. Oilman Ltd

21. Regent Cement Ltd

Tariq Saeed Saigol

1. Armani Textil
2. Zimpez (Pvt) Ltd
3. Maple Leaf Electric Company

Crescent

"The people who care for the people"

It was in early 1910 that Shams Din of Chiniot and his four sons, Fazal Karim, Mohammad Amin, Mohammad Bashir and Mohammad Shafi set up a small tannery at Amritsar in India. By the time Pakistan was born, they had offices at Madarass, Jalandhar, Calcatta and Delhi.

After the birth of Pakistan, three of the four brothers returned to native land and in 1951, incorporated a trading company namely Mohammad Amin, Mohammad Bashir Ltd for export of Cotton and imports. Bashir settled in Karachi, Amin managed the operations from Lahore and Shafi worked in a ginning factory in Sargodha. According to Emma Duncan, in " Breaking the Curfew", Crescent family was alloted an industrial unit sprawling over 125 acres in Faisalabad, in lieu of the property left over in India, which was to become the spring board of their growth and diversification.

By mid 1960s Fazal Karim also returned to Pakistan and the four brothers fondly known in the business community, as the "The gang of four" soon became Pakistan's biggest textile exporters. They were also joined in the business by their two cousins. Crescent today has the largest number of listed companies (22) in its fold with assets exceeding Rs 10 billion. It is the soundest, if not the largest industrial conglomerate in Pakistan and last of the 22 families which has remained united through thick and thin, the best and the worst times for big business in Pakistan during last 50 years. Presided over by eldest member of the family, Mazhar Karim, the group has twenty working members and can be truely called a joint venture of uncles, cousins and nephews.

In a communication to the author in 1993, the group maintained that "there has been no split whatseoever and Crescent group exists in the same shape as it has always been since its inception" but there are recent indications that for administrative convenience rather than for some other reason the group has been subdivided.

Crescent has the slogan of "the people who care peopel" and belongs to the enterprising Chinioti community who has the general reputation of never transferring their money abroad. Crescent particularly has the reputation of being truly rooted and entrenched in the Pakistani Soil and is considered to be conscientious tax payers.

An article in Weekly Friday Times in the first week of April 1993 described Crescent as "one of the oldest, largest and most distinguished business concerns in Pakistan, an exemplary tax payers and investors of every penny earned back into their business of the home country".

Crescent lost its shipping line with two vessels, Shams and Karim in Bhutto's nationalization and although Crescent Investment Bank was first private sector bank to start operations in 1990 and had set up a seperate division to take part in privatization, it did not bid for any unit during Nawaz Sharif's privatization. However it registered one of highest growth rate during Nawaz era and launched a large no of new companies particularly Modarba and leasing companies during 1990-93.

Crescent Listed Companies

S No	Name	Assests	Turnover
1	Crescent Textile	3,159	894
2	Crescent Spinning	582	209
3	Shams Textile	556	592
4	Elite Textile	161	297
5	Crescot Mills	122	324
6	Jubilee Spinning	680	322
7	Surraj Cotton	458	533
8	Crescent Steel	676	760
9	Crescent Jute	1,007	672
10	Shakarganj Sugar	1,630	1,090
11	Crescent Board	605	457
12	Crescent Sugar	950	958
	Total	**10,568**	**7,108**

Financial Companies

S.No	Companies	Assets
1	Crescent Bank	6,558
2	Premier Insurance	333
3	First Crescent Modarba	473
4	First Elite Capital Modarba	155
5	First Equity Modarba	355
6	Crescent Leasing Corporation	250
7	Paksitan Industrial Leasing Corporation	4,202
8	Trust Investment Bank	-
	Total Financial Assets	**12,353**

Unlisted Companies

1. Sargodha Cotton Fabrics (Pvt) Ltd
2. Crescent Software
3. Crescent Knitwear
4. Shams Fabrics
5. Crescent Trading Corporation
6. Crescent Group Services (Pvt) Ltd
7. Crescent Modarba Management Services
8. Tex Mac Services
9. Crescent Management Services
10. Crescent Power Plant Limited
11. World Class Textile Mills
12. Jhang Electric Supply Corporation
13. Crescent Greenwood
14. Shams Food Products Ltd
15. Ujala Cotton Mills
16. Crescent Factories Ltd
17. Karachi Bulk Storage and Terminal Ltd
18. Mohammad Amin and Mohammad Bashir Ltd
19. Shakarganj Mills Ltd
20. Shams Woolen Mills
21. Crescent Power Tch Ltd
22. Pir Mohammad Associates
23. Crescent Marketing Services (Pvt) Ltd
24. Crescent Industrial Chemicals
25. International Housing Finanace Ltd

Dewan

Listed Companies

S. NO	Names	Assets	Turnover
1	Dewan Textile	1,008	1,646
2	Dewan Mushtaq	268	270
3	Dewan Khalid	506	538
4	Dewan Sugar	708	1,055
5	Ishtiaq Textile	204	155
6	Dewan Salman Fibre	7,419	6,219
	Total Manufacturing Assets	**10,113**	**9,883**

Financial Companies

1. Metropolitan Bank (With Gul Ahmad)

Unlisted Companies

1. Dewan Mushtaq Sons
2. Dewan Steel Mills

The House of Ittefaq

Ittefaq means unity and it was an appropriate name when Mian Mohammad Sharif, father of Prime Minister Nawaz Sharif and his six brothers founded Ittefaq foundry in 1939. The House of Ittefaq, the industrial conglomerate of Prime Minister Nawaz Sharif's family is not unity anymore and 119 offspring's siblings and spouses of the seven founding brothers are currently battling in courts for the division of the assets of the Ittefaq group.

The House of Ittefaq claims to have lost an industrial unit in East Pakistan, besides losing Ittefaq foundry to Bhutto;s nationalization. In the aftermath of nationalization Mian Mohammad Sharif tried luck in UAE where he set up a steel re-rolling mills. He is reported to have told his family that while leaving for UAE that he would not return till the mill was ready. The factory was therefore, completed on time but proved too taxing for aging Mian Sharif in an unfamiliar enviroment and therefore, he returned after operating it for about a year or two.

Lady luck smiled on the Sharif family when in late 1970's General Zia ul Haq returned them Ittefaq foundry and Nawaz Sharif was appointed finance minister in the Punjab cabinet. By that time the House of Ittefaq comprised of following five enterprises.

1. Ittefaq Textile
2. Nawaz Shahbaz Enterprise
3. Jawaid-Pervaiz Enterprise
4. Ittefaq Brothers (Pvt) Ltd
5. Khalid Siraj Industries (Pvt) Ltd

New industrial units were set up with electrifying speed in the 1980's while Nawaz Sharif was the finance minister and later chief minister of Punjab. Ittefaq Sugar Mills was set up in 1982, Brothers steel in 1983, Brother's Textile Mills in 1986, Ittefaq Textile units in 2-3 in 1987, Khalid Siraj Textile Mills in 1988.

During first Benazir govt when Nawaz Sharif was the uncrowned King of the powerful Punjab province, the group started work on Brothers Sugar Mills and Ramzan Sugar Mills which turned out to be the last project set up under the banner of Ittefaq. As soon as Nawaz Sharif became Prime Minister in 1990, Mian Mohammad Sharif switched over to setting up projects independent of the other partners, thus laying the grounds for split.

It was said that when Nawaz Sharif became prime minister, the group took a decision to secure project loans from the foreign banks and only working capital was taken from the nationalized commercial banks. The project financing from foreign banks was ostensibly secured against the foreing currency deposits, a number of which were held in benamee accounts, as repeatedly claimed by Interior Minister Naseer Ullah Babar at his press conferences.

At a press conference in Islamabad, on August 3, 1989 Shahbaz Sharif was gave the assets of the group at Rs 3.6 billion, but the report of the Cooperative Scam Tribunal estimated the group assets in 1989, according to their own declaration at Rs 6 billion.

In 1992 when Salman Taseer, Information Secretary, PPP released an account of Nawaz govt's corruption in a booklet "The Plunder of Pakistan" a spokesman of House of Ittefaq said in a counter statement that the group has incurred loans worth Rs 4,420 million only from the commercial banks contrary to Salman Taseer 's claim of Rs 12 billion. According to the spokesman, the group comprised of only 14 companies in its fold with assets of 6 billion.

H. U. Beg Committee, set up by Nawaz govt in 1990 to investigate the allegations of concentration of wealth had identified 19 companies in the House of Ittefaq with assets worth Rs 10 billion and for the purpose of ranking in this book. I have relied on the estimates of the H U Beg Committee. However at a press conference in Islamabad, on March 2, 1994, Khalid Siraj, a cousin of prime minister claimed that the assets of the seven brothers were valued at Rs 21 billion.

The units in Ittefaq as identified by H U Beg Committee included three listed companies, 12 unlisted public companies and 4 private limited companies.

The Friday Time issue of April 25, 1997 reported that the Sharif group of Mian Mohammad Sharif has started work on Kashmir Sugar Mills and Bashir Sugar Mills for which it was seeking hefty loans from commercial banks. Work is also in progress over a sprawling New Sharif Medical City, opposite the big residential farm of the Sharif family on the Rai Wind Road. The group is also working on Yousaf Aziz Sugar Mills at Kasur and another at Shah Kot.

According to agreement reached in Lahore High Court by members of the family sometimes in 1996, the House of Ittefaq has split in two groups. The first comprised of the families of Mian Mohammad Sharif, Mohammad Shafi, Barkat Ali, Yousaf Aziz and Idrees Bashir while the second group comprised of the families of Meraj Din and Siraj Din. Members of the Ittefaq group are currently operating in three groups namely Sharif Group, Ittefaq Group and Haseeb Waqas Group. The three groups have only four companies listed on the KSE.

Listed companies

S. No	Names	Assets	Turnover
1	Ittefaq Textile Mills	-	-
2	Brothers Textile Mills	262	-
3	Khalid Siraj Textile Mills	228	239
4	**Haseeb Waqas Sugar**	**1,163**	**901**

Unlisted Companies

Sharif Group

1. Ittefaq Textile
2. Mehran Ramzan Textile
3. Brothers Textile Mills
4. Ramzan Baksh Textile Mills
5. Mohammad Baksh Textile Mills
6. Hamza Spinning Mills
7. Ittefaq Sugar Mills
8. Ramzan Sugar Mills
9. Chaudri Sugar Mills
10. Ittefaq Foundry (Pvt) Ltd
11. Brothers Steel Mills
12. Ittefaq Brothers (Pvt) Ltd
13. Ilyas Enterprise
14. Hudaibiya Paper Mills
15. Hamza Board Mills
16. Hudabia Engineering
17. Khalid Siraj Industries
18. Ali Haroon Textile Mills
19. Hanif Siraj Textile Mills
20. Farooq Barkat (Pvt) Ltd
21. Abdul Aziz Textile Mills
22. Barkat Textile Mills
23. Sandalbar Textile Mills
24. Haseeb Waqas Rice Mills

25. Sardar Board and Paper Mills
26. Model Trading House (Pvt) Ltd

Haseeb Waqas Group

1. Haseeb Waqas Sugar Mills
2. Haseeb Waqas Engineering
3. Haseeb Waqas Farms Ltd
4. Haseeb Waqas Rice Mills Ltd

Source: *Assets declared by Nawaz Sharif in the 1997 elections. H. U. Beg Committee and list of units in the Ittefaq group provided by Khalid Siraj at his press conference on March 2, 1994.*

Chakwal

The founders of Chakwal group migrated to West Pakistan in 1971 from East Pakistan and set up Chakwal Textile Mills at Chakwal, a small city in Northern Punjab near Rawalpindi. Today it has grown into multlimillion rupees conglomerate owning and operating at least 15 companies including several textile mills, a privatized cement plant, a polyester fibre plant and Commercial Bank, Fidelity Investment Bank and Trust Leasing.

According to Business Recorder of February 8, 1998 the group was facing fraud charges in the Special court of crimes in Banking Circle, Karachi for defrauding National Investment Turst (NIT) to the tune of Rs 288 million by showing inflated value of Chakwal Cement to get NIT units. Khawaja Mohammad Javed is the chairman of the group and is related by marriage to Mian Mohammad Mansha and Tariq Saeed Saigol.

Listed Companies

S. No	Company	Assets	Turnover
1	Amin Spinning Mills	280	201
2	Kohinoor Spinning	1,232	799
3	Chakwal Spinning	731	103
4	Yousaf Weaving	1,052	961
5	Dandot (Chakwal) Cement	1,297	762
6	Dhan Fibre		
7	Kohinoor Fibre		
	Total	**4,592**	**3,026**

Financial Assets

1. Platinum Bank 5,530

Unlisted Companies

1. Kashmir Textile
2. Kohinoor Minerals (Pvt) Ltd
3. Naveed Industries (Pvt) Ltd
4. Chakwal Textile
5. Chakwal Electric Supply CO
6. Chakwal Power CO
7. J M Knits (Pvt) Ltd
8. Y W M (Spinning units) Ltd

Saphire / Gulistan

Listed Companies

S No	Name	Assets	Turnover
1	SaphireTextile	1,791	3,416
2	Saphire Fibre	1,223	1,830
3	Appolo Textile	295	363
4	Gulistan Textile	1,852	1,340
5	Paramount Textile	584	441
6	Gulshan Spinning	1,090	820
7	Gulistan Weaving	377	334
8	Reliance Cotton	371	360
	Total Financial Assets	**7,583**	**8,904**

Unlisted Companies

1. Amer Cotton Mills (Pvt) Ltd
2. Amer Fabrics Ltd
3. Neelum Textile Mills
4. Gulistan Fabrics Ltd
5. Diamond Fabrics

Habib

The House That Built Habib

"In Pakistan who has the money to buy Habib Bank, but the House of Habib", the representative of Habib group told reporters at the Privatization Commission in Islamabad in 1992 before submitting bid for the privatization of Habib Bank. The boast was justified but uncharacteristic of the Habib family which is known to make conscious efforts to appear small and stay out of the limelight by "hiding the light under the bush in the religious belief that to win the pleasure of Allah is worth infinitely more than to seek the plaudits of the public".

Habibs have spread their wealth over a large number of private and public companies and a profile of Rafiq Habib in Economic Review, Novemer 1984 (P 59) said that Habib group had 90 companies it its fold. I could identify only half of them.

The history of House of Habib goes back to middle of the last century when Esmail Ali of Jam Nagar, India set up a small utensil factory in Bombay. A son born to him in 1878 was given the name Habib who was to found the dynasty of House of Habib. Habib Ismaeel lost his father at an early age and circumstances forced him to join the business of his uncle-Cassum Mohammad, owner of Khoja Mithabai Nathoo, merchant and manufacturer of copper and brass utensils. It was because of his association with Mithabai Nathoo that Habib Ismaeel came to be known as Seth Habib Mitha.

The House of Habib holds many distinctions in Pakistan's history. Habib Bank was shifted to Pakistan on the personal bidding of Quaid-e-Azam Mohammad Ali Jinnah and came to the help of the nascent state "even before the Govt of Pakistan was ready to issue appropriate govt paper", with a Rs 80 million loan when the Rserve Bank of India failed to deliver Pakistan share of Rs 750 million held by it. It is said that Mohammad Ali Habib had presented a blank cheque on Llyod Bank to Quaid-e-Azam who wrote Rs 80 million in it. (An article in Habib Bank Golden Jubilee Presentation and a letter to the Editor in daily Dawn, September 11, 1991).

The Habib family is known to have set up offices in Vienna and Geneva as early as 1912 and incorporated Habib and Sons in 1921 which was dealing in brass, metal scraps and gold with "Lion of Ali" embossed on it which is till today the insignia of the Habib Bank. Habib Bank was incorporated in 1941, as First Muslim Bank in India and was using its own assayed gold medallions. It is said that Mohammad Ali Habib ensured that these medallions were purer than the assayed stamp showed there were stories of customers finding out that the medallions were worth more the bargain.

Seth Habib had four sons and Aziz Haji Dossa, a reader of daily Dawn recalled in a letter to the editor on September 11, 1991 that "I used to watch the four sons of Habib Seth, namely Mohammad Ali, Ahmad, Dawood and Ghulam Ali drive every morning sharp at nine o'clock wearing silk yellow Sherwanies and caps, parking their cars in front of the Mohammad Shah Pir Graveyard and standing in line offering Fateha".

Mohammad Ali Habib who founded Habib Bank on August 7, 1941 had four sons, Suleman, Habib, Rafiq and Hyder and it is the group headed by Rafiq M Habib which is today known as House of Habib. The second group comprised sons of late Rashid D Habib but A G Zurich Bank incorporated as Habib Bank Ltd in Geneva, in 1967, is a joint venture of all Habibians and in keeping with the family traditions is still issuing its own gold medallion embossed with the Lion of Ali.

The group headed by Rafiq Habib is using five stars and holy Kalma as its insignia while Rashid Habib group is using lion and Sword of Ali as its insignia.

Rafiq M Habib Group

S No	Name	Assets	Turnover
1	Thal Jute Mills	354	448
2	Pak Jute and Synthetics	112	181
3	Pak Paper Sack	428	827
4	Shabbir Tiles	180	216
5	Dyno Pakistan	272	234
6	Indus Motors	2,318	4,722
7	Gypsum Corporation	-	-
8	Baluchistan Foundary	-	-
9	A U Vitronics	125	182
10	Agri Autos	313	248
11	Baluchistan Concrete	-	-
	Total Manufacturing Assets	**5,707**	**7,058**

Financial Companies

1. First Habib Modaraba
2. Habib A G Zurich

Rashid D. Habib

S No	Name	Assets	Turnover
1	Habib Sugar	833	876
2	Habib RKD	326	403
3	Baluchistan Particles	146	104
4	Habib Insurance	199	-
5	Baluchistan Glass Particles	379	183
6	Habib General Limited	-	-
7	Baluchistan Concrete and Block Works	-	-
8	Hydri Construction	22	-
	Total Manufacturing Assets	**1,905**	**1,566**

Financial Companies

1. Bank Al-Habib

Unlisted Companies

Rafiq M. Habib

1. Visionate (pvt) Ltd
2. Hi-Tech Medial Group
3. Noble (pvt) Ltd
4. Thermax Pak Ltd
5. Cisum Music (pvt) Ltd
6. Rythem Recording (pvt) Ltd
7. Baluchista Laminate
8. Rapid (pvt) Ltd
9. Computers (pvt) Products Corp
10. Noble Computer Services (pvt) Ltd
11. Kraft Pac (pvt) Ltd
12. Tractable Khaleej Power Plant
13. Habib Industries Ltd
14. Habib Lockers
15. Habib Generals Ltd
16. Habib Investment Company
17. Starmit System Ltd
18. Habib Oil Mills Ltd
19. Habib American Bank
20. Habib European Bank
21. Master Enterprises (pvt) Ltd
22. Procon Engineering (pvt) Ltd
23. Capital Corporation Ltd
24. Filtron Pakistan Ltd
25. Habib Sugarcan Farms
26. Khyber Papers

Rashid D Habib

1. Habib Capital Management
2. Habib Leasing Corporation (pvt) Ltd
3. Habib Management Services
4. Habib Sons (pvt) Ltd
5. Habib Industries Ltd
6. Commodities Export Ltd
7. Cytozam Pak Ltd
8. Dentogen Laboratories Ltd
9. Pak Propylene
10. Pak Packages
11. Poly Propylene Products Ltd
12. Habib Maritime Ltd
13. Synthetic Jutet Ltd

14. Partico (pvt) Ltd
15. Proline (pvt) Ltd
16. Habib Sorbitol (pvt) Ltd
17. Habib Aglomeration (pvt) Ltd
18. Habib Microfine (pvt) Ltd

Gul Ahmad / Al-Karam

Gul Ahmad is one of the oldest and most progressive among the Memon business houses in Pakistan. The group was founded by Haji Ali Mohammad Pakolawala and has now split between Gul Ahmad and Alkaram group of Industries.

Like several other Karachi-based groups of post-1947 era, Gul Ahamad has not added any single manufacturing units to its fold since 1971, except for the 150 MW Gul Ahmad Power commissioned in September 1997 and fairly unknown Ghafooria Industries. However Security Investment Bank and Metropolitan Bank have been set up in collaboration with two other leading industrial groups. The group chairman, Ali Mohammad was appointed vice chairman of Export Promotion Bureau by caretaker govt of Moeen Qureshi.

Al-Karam, however is operating nearly a dozen industrial and commercial units including one of the biggest synthetic units, Pakistan Synthetic listed on KSE.

Gul Ahmad / Alkaram

S. No	Name	Assets	Turnover
1	Gul Ahmad Textile Mills	2272	2493
2	Globe Textile	742	853
3	Globe Textile (OEO)	147	232
4	Zaman Textile	177	186
5	Pak Synthetic	1443	1224
6	Chilya Corrugated	20	19
7	Nakshbandi Industries	419	454
	Total Manufacturing Assets	**5220**	**5451**

Financial Companies

1. Security Investment Bank
2. Metropolitan Bank

Unlisted Companies

1. Alkaram Textile Mills

2. Muslim Cotton
3. Excell Textile Mills
4. Globe Garment Industries (pvt) Ltd
5. Ghafooria Industries (pvt)
6. Packages

Syed Maratib Ali was a well known name even in the undivided India and his mansion, Ashiana, in Lahore was, and continues to be considered one of the wealthiest houses in this part of the sub-continent.

Maratib Ali family was entrenched in the import-export trade and was a supplier for the British Army and Indian Railway before the partition. The first foreign joint venture launched by the family, after the creation of Pakistan was a soap factory with Lever Brothers. However, the group has grown around Packages Limited and according to an anecdote Pakistan Tobacco Company (PTC) helped Maratib Ali family in launching this packaging unit. It is said that PTC had imported a packaging plant for its cigarette manufacturing facility but because of some difficulties encouraged Packages to venture into the field by loaning the later the imported plant.

Maratib Ali had nine children and two of them, Syed Amjad Ali and Babar Ali served as Finance Ministers while two of his grandchildren, Syed Fakhar Imam and Syeda Abida Hussain have also served as federal ministers. Syed Amjad Ali served as Pakistan's first ambassador to the United Nations. Another scion of the family is Syed Mohsin Ali of the Mitchelles Ltd.

The chairman of Packages group, Syed Babar Ali was the eighth of nine children born to Syed Maratib Ali and Mubarak Begum. He served as chairman of National Fertilizer Corporation under Z. A. Bhutto and is also chairman of the Board of Directors of Hoeist Pakistan, Lever Brothers and Seimen. The group owns 20% equity in the newly set up Coca-Cola Beverages Pakistan Ltd, a trilateral project of Singapore-based Fraser & Neaves (C & N), Packages and Coca-Cola Private Ltd. The newly set up company has acquired Coca Cola plants in Karachi and Hyderabad and would be taking over all the 11 franchises of Coca-Cola in Pakistan.

Babar Ali is also one of the founders of Lahore University of Management Sciences (LUMS).

Packages Group Companies

S. No	Name	Assets	Turnover
1	Packages	2696	2330
2	Zulfikar Industries	171	497
3	Milk Pak	945	2000
4	Treet	313	326
5	Mitchelles	113	96
6	Wazir Ali Industries	311	1036
7	Tri Pack Films	619	317
	Total Manufacturing Asssets	**5168**	**6602**

Financial Companies

1. IGI
2. Interbank

Unlisted Companies

1. Systems (Pvt) Ltd
2. Kabirwala Dairies
3. Faizabad Rice Mills
4. Cattle Breeders Farm Ltd
5. Abbasi Textile
6. Hina Export Ltd
7. Ashiana Cotton Mills
8. CocaCola Beverages (Pvt) Ltd

Atlas

Yusuf Shirazi, a former income tax official, self-proclaimed journalist founded the Atlas group in 1962 but suffered major blow in the seperation of East Pakistan by losing an Atlas Honda Motorcycle plant "turning me a pauper overnight and forcing me to move to a flat from a bunglow" (DAWN 7-10-95). Almost all his joint ventures are with Japanese collaboration.

S. No	Name	Assets	Turnover
1	Atlas Honda	1896	1836
2	Atlas Cars (Pak) Ltd	2016	1301
3	Atlas Battery	134	260
4	Alwin Engineering	313	283
	Total	**4359**	**3680**

Financial Companies

S. No	Name	Assets
1	Muslim Insurance	90
2	Atlas-Bot Leasing	2206
3	Atlas Bank Investment	659
	Total	**2955**

Unlisted Companies

1. Clearance and Warehouse Ltd
2. Shirazi Farm
3. Shirazi Trading
4. Shirazi Investment
5. Atlas Information

Hashwani

Hashwanis have long been involved in trading in cotton, grain and steel and till the nationalization of cotton export in 1974 were known as Cotton Kings of Pakistan.

After the nationalization of cotton and rice trade, Hashwani brothers moved into hotel industry and today Sadruddin Hashwani operating the chains of Marriot and Pearl Continental Hotels is known as the Hotel King of Pakistan.

In 1985 when PIA decided to sell its 51% shares in Pakistan Services Limited , operating chain of Intercontinental hotels, Sadruddin Hashwani " walked away with the spoils", according to New York Times. The Rs 130 million bid money came from Investment Corporation of Pakistan (ICP) which was allegedly written off by Zia ul Haq.

In 1984 Haswnai defeated Lakhanis in the bid for Premier Tobacco but the two Hashwnai Brothers, Sadruddin Hashwani and Akbar Hashwani were arrested in 1986 when customs raided their tobacco factory, following seizure of several trucks loaded with cigarettes without payment of duty. The Hashwanis always suspected Lakhanis to have tipped the customs about the tax evasion, (The daily Dawn 24-5-1986).

The Haswanis are currently operating in three seperate groups known as the Hashoo group of Sadruddin Haswani, Haswani group of Akbar Ali Hashwani and Hassan Ali Hashwani group comprised of the companies owned by the children of late Hassan Ali Hashwani.

Hashoo Group

S. No	Name	Assets	Turnover
1	Pakistan Services	3364	1846
2	Exide Battery	296	513
3	Automative Battery	131	176
4	Hahsoo Steel	130	308
5	Souvenir Tobacco	-	-
	Total	**3921**	**2843**

Financial Assets

S. No	Name	Assets
1	New Jubilee Insurance	590

Akbar Hashwani

S. No	Name	Assets	Turnover
1	Regent Textile	230	192
2	Landmark Spinning	100	-
	Total	**330**	

Unlisted Companies

1. Hashwani Hotels
2. Murtaza Construction (pvt) Ltd
3. Bhurban Resorts (pvt) Ltd
4. Hassan Ali and Company (pvt) Ltd
5. Hassan Ali Sale and After Sale Services (pvt) Ltd
6. Hattar Accumulators (pvt) Ltd
7. Zaver Peroleum (pvt) Ltd
8. Gelcaps Pakistan Ltd
9. Hub Steel Company
10. Lakeview Properties
11. Pearl Tours and Travels (pvt) Ltd
12. Real Estate Investement Company
13. Pearl Continental Overseas (pvt) Ltd
14. Hassan Ali and Grains Ltd
15. Hashoo International (pvt) Ltd
16. Rex Talkies (pvt) Ltd
17. Associate Buolders (pvt) Ltd
18. Bagh-e-Korangi (pvt) Ltd

19. Bagh-e-Landhi (pvt) Ltd
20. Hashoo Modaraba Management Ltd
21. Hashoo Holdings (pvt) Ltd
22. Zaver Lubricants and Speciality Products
23. Zaver Chemicals Ltd
24. Zaver Mining Co (pvt) Ltd
25. General Pharecutical (pvt) Ltd
26. Continental Corporation (pvt) Ltd

Akbar Hashwani

1. Hashwani Construction (pvt) L
2. Syndicate Mines and Minerals (pvt) Ltd
3. AEG Pakistan Ltd
4. Cornonet Enterprise (pvt) Ltd
5. Panther Industries (pvt) Ltd
6. ACME Enterprise
7. Hassan Ali and Company Cotton (pvt) Ltd

Bibojee

Listed Companies

S No	Name	Assests	Turnover
1	General Tyres	1183	1935
2	JDM Textile	98	81
3	Babri Cotton	106	166
4	Bannu Woolen Mills	184	184
5	Gandhara Nissan	611	756
6	National Motors	692	271
7	Ghandhara Industries	102	756
8	Gammon Pakistan	152	-
	TOTAL	**3128**	**3393**

Financial Companies

S. No	Name	Assets
1	Chemni Leasing	581
2	Universal Insurance	56
	Total	**637**

Saif Ullah's Group

S No	Names	Assets	Turnover
1	Kohat Textiles	216	256
2	Saif Textile	462	616
3	Lucky Cement	678	-
	Total	**1356**	**872**

Unlisted Companies

1. Rehman Cotton Takhtbhai
2. Bibojee Services (pvt) Ltd
3. Bibojee Investment (pvt) Ltd
4. Usman Fabrics and Knitwear (pvt) Ltd
5. Advanced Computer Tec (pvt) Ltd
6. Frontier Txtile
7. Bannu Flour Mills
8. KSK Investment (pvt) Ltd
9. KKA Company (pvt) Ltd
10. Saif Beverages
11. Saif International Combine
12. Sarhad Prestressed Concrete
13. Pakistan Mobile Corporation
14. NASA Construction

Dawood Group

Dawood was ranked second biggest group in Pakistan in 1970 by Lawrence White but it was worst-hit by seperation of East Pakistan and the nationalization of Z. A. Bhutto with the result that it has not set up a single manufacturing unit during last 25 years. Yet it is ranked among the top 10 industrial groups in Pakistan in 1990 and was 14 in 1997.

Dawood group was founded by Ahmad Dawood but currently stands split among three Dawood brothers namely Ahmad, Sadiq and Suleman Dawood who are heading Dawood, BRR and Descon groups respectively. Not so well known, Ghani group was also carved out of the main Dawood group and is based on the shares held by in-laws of Ahmad Dawood in the parent group.

Dawood family members were put on exit control list and once they managed to leave the country, they lived out the Bhutto era in exile in Europe and United States. However Razak Dawood s/o Suleman Dawood shifted to Lahore and developed a group of Construction/ Engineering Companies today known as the Descon group.

Ahmad Dawood was born at Batva, Kathiawar in a Memon family. When partition took place, he had already set up a cotton ginning factory, an oil mill and vegetable ghee factory in India. He is reported to have told reporters that it was on the suggestion of Quaid-e-Azam Mohammad Ali Jinnah that he had migrated to Pakistan and incorporated Dawood Corporation for import and export trade.

Dawood Cotton Mills was set up in 1951 but business grew in leaps and bounds when Ahmad Dawood was associated with Muslim League and his brother Sadiq Dawood was a member of national assembly and treasurer of the ruling Pakistan Muslim League during the military rule of Field Marshal Ayub Khan.

Ahmad Dawood is now living a retired life and his business is being looked after, by son Hussain Dawood.

Ahmad Dawood Group

S No	Name	Assets	Turnover
1	Dawood Hercules	2025	1615
2	Dilon Limited	155	76
3	Dawood Cotton	541	173
4	Burewala Textile	599	545
5	Lawrence Woolen Mills	329	248
	Total Manufacturing Assets	**3649**	**2657**

Financial Assets
1. Central Insurance
2. First D G Modaraba
3. Second D G Modaraba

Sadiq Dawood Group
1. BRR Modaraba
2. Second BRR Modaraba
3. Equity International Modaraba
4. Orient Insurance
5. Dawood Leasing

Suleman Dawood
1. Transpack
2. Aisha Cotton

Unlisted Companies
Ahmad Dawood
1. Dawood Corporation
2. Dawood Hercules Engineering Group
3. Sach International
4. National Mines Ltd
5. D G Modaraba Management Ltd
6. Sindh Paper Mills (pvt) Ltd

Sadiq Dawood

1. Dawood International Ltd
2. Dawood Yamaha
3. CNPS Manufacturing, Trading (pvt) Ltd

Suleman Dawood

1. Descon Engineering
2. Descon Manufacturing (pvt) Ltd
3. Delta Industries (pvt) Ltd
4. United Refrigrators
5. Dawood Chem (pvt) Ltd
6. Consumers Product Ltd

Monnoo

Monnoos are Chinioti and are currently operating in three distinct groups. However, the biggest of the three, Kaisar Monnoo group is a joint venture of three brothers, Kaisar A Monnoo, Shehzada A Monnoo and Jehangir A Monnoo. The group has up to 15 textile mills in its fold but none listed on the stock exchange. According to press reports and interviews of the Monnoo family members, total assets of the main Monnoo group are valued at Rs 3 billion.

The present day Monnoo dynasty was founded by two Monnoo brothers namely Dost Mohammad Monnoo and Nazir Hussain Monnoo who migrated to Calcutta in the 1940s where they set up Olympia Rubber works. At the time of independence the rubber works was exchange with a textile mill owned by a Hindu in Nabiganj, Dhaka. The new factory was christened as Olympia Textile Mills. The name Olympia has been omenous for the Monnoos and that is why a number of their units have been named Olympia.

Kaisar Monnoo Group

1. Monnoo Industries
2. Lahore Textile and General Mills
3. Lahore Textile Unit-2
4. Tribal Textile
5. Margalla Textile
6. Rawal Textile
7. Margalla Textile Unit-2
8. Olympia Blended Fibre Mills-1
9. Olympia Blended Fibre Mills-2
10. Qureshi Textile
11. Jamhoor Textile
12. Jamhoor Textile Unit-2
13. Monnoowal Textile
14. Summudri Sugar
15. Monnoo Sales (pvt) Ltd

16. Kaiser Shahzada (pvt) Ltd
17. Ravi Production (pvt) Ltd
18. Monnoo Farms
19. Monnoo Orchars

Total Assets: 3605

Munir A Monnoo Group

Munir A Monnoo migrated from East Pakistan in 1971 and set up looms in Faisalabad. His first industrial project was Olympia Textile in the name and style of the factory he had left in East Pakistan.

1. Olympia Textile
2. Olympia Industries
3. Sheikhupura Feeds
4. Lahore Feeds
5. Punjag Feeds
6. Olympia Synthetic
7. Karachi Farms
8. Gulbahar Industries
9. Olympia Power Ltd

Another small Monnoo group is operating out of Karachi and comprises of

1. Olympia Spinning and Weaving Mills
2. Kotri Textile Mills
3. Kamani Textile Mills

Fecto

The name Fecto has been taken from the acronym of Far East Commercial and Trading Company set up by Ghulam Mohammad "A Fecto in East Pakistan". The psychological problems and fears that still haunt the big business particularly the Memons is evident from the manner in which Fecto group completely changed its identity, enen name after shifting their business from East Pakistan to West Pakistan.

Ghulam Mohammad A Fecto, the founder of Fecto group was known as Ghulam Mohammad Adamjee in East Pakistan but while setting up the business in West Pakistan, now Pakistan, he dropped the name Adamjee in fovour of the acronym Fecto and thus from Ghulam Mohammad Adamjee he has become Ghulam Mohammad A Fecto.

Fecto is a Memon group and Ghulam Mohammad A Fecto had migrated from Bombay to Dhaka in 1947 where he set up Far East Commercial and Trading Company dealing among other things, in electrical and home appliances. It entered into a joint venture, Fecto-Yamagen Electronics Ltd, with Toshiba in 1961 for the manufacture of Radios in

East Pakistan. At the time of birth of Bengladesh he was managing director and director in at least ten companies including Fecto Ltd, Fecto-Yamagen Electronics, Dacca Radio Electronic Company, Fecto Agencies Ltd, Chaudary Fishing Company, Fecto Industries and Fecto Trading.

In the 1970 while other Memon groups were switching from industries to trading Fecto decided to venture into manufacturing by acquiring Adamjee Sugar Mills changing its name to Fecto Sugar Mills, followed by the setting up of another sugar mill and a tractor manufacturing unit. Presently the group has 14 companies in its folder including three listed on KSE.

S No	Name	Assets	Turnover
1	Fecto Cement	2,471	1,376
2	Baba Farid Sugar	326	506
3	Fecto Sugar	744	528
	TOTAL	**3,541**	**2,410**

Unlisted Companies

1. Belarus Tractors
2. Supreme Engineering Works
3. Pak Agro Forestry Corp
4. Fecto Chemicals
5. Fecto Orient (pvt) Ltd
6. Burban Printer Packages
7. F and B Storage Ltd
8. Fecto Pakistan Ltd
9. Fibre Textile Industries (pvt) Ltd
10. Frontier Paper Products (pvt) Ltd
11. Laminate Tech Ltd

Lakhani (Lakson)

Lakhanis have grown during the last two decades and are one of the three big Ismaeeli groups among top 22 families today. However they have been at loggerhead with one of the other Ismaeeli family i.e the Hashwanis over several corporate takeovers.

Sultan Lakhani is the eldest of the four brothers who have partnership in the group with units manufacturing detergents, soap, surgical instruments, paper and board, as well as food. Lakhanis claimed to have an annual turnover of 200 million dollars in 1990 and if ranked by turnover should come among the top ten but it would be mainly because of the sizable turnover of the Premier and Lakeson Tobacco. The group has recently won the coverted franchise for McDonalds Fast Food in Lahore.

Listed Companies

S No	Name	Assets	Turnover
1	Premier Tobacco	442	2,206
2	Lakson Tobacco	511	2,405
3	Century Paper	1,117	1,104
4	Merit Packaging	73	197
5	Clover Foods	72	24
6	Tritex Cotton	253	291
7	National Detergents	-	-
8	Colgate	408	1,347
	TOTAL	**2,876**	**7,574**

Financial Companies

1. Century Insurance

Unlisted Companies

1. Siza Commodity (pvt) Ltd
2. Accuracy Surgical
3. Siza Services (pvt) Ltd
4. Project Development Services
5. Star Development

Fateh

S No	Name	Assets	Turnover
1	Fateh Textile	2,170	2,123
2	Fateh Sports Wear	420	157
3	Fateh Industries	253	240
	TOTAL	**2,843**	**2,520**

Unlisted Companies

1. Bahawalpur Textile
2. Fateh Apparel
3. Fateh Garments
4. Fateh Furnishers

5. Fateh Jeans
6. Fateh Weaving Mills
7. Hotel Fateh Ltd
8. Nephew and Nephew
9. Walisons

Sargodha

This is another Chinioti group founded by Mian Mohammad Aslam, who returned to Pakistan in 1947 from India where he owned a leather tanning unit.

"I used to roam on bicycle from village to village, collecting skins for the tanners, earning a profit of One Anna (4 paisas) per skin", he was reportedly fond of telling his visitors.

Currently the group is facing litigation from Al-Mashriq Bank for default in the payment of a Rs 120 million loan.

S No	Name	Assets	Turnover
1	Shahzad Textile	379	401
2	Shaheen Cotton	327	394
3	Shadab Textile	85	142
4	Sargodha Spinning	695	253
5	Sajjad Textile	512	215
6	Husein Sugar	358	560
7	Shadman Textile	387	394
	TOTAL	**2,739**	**2,359**

Unlisted Companies

1. Nazir Cotton
2. Sargodha Jute
3. Shaheen Fabrics
4. Silver Fibre Spinning

Al-Noor

S No	Name	Assests	Turnover
1	Al-Noor Sugar Mills	944	752
2	Al-Asif Sugar	586	379
3	Shah Murad Sugar	104	926
4	Al-Noor Modaraba	-	-
	TOTAL	**2,573**	**2,057**

Unlisted Companies

1. Al-Asif Textile
2. Ahmad Hosiery Mills (pvt) Ltd
3. Fantasy Garments
4. Aurangzeb IMPEX
5. Sindh Particles Board
6. Vilon Garments (pvt) Ltd
7. Delite Industries
8. Sufyan Trading
9. Ebrahim Trading
10. Al-Noor Fertilizar

Ghulam Farooq

Ghulam Farooq belonged to the famous Khattak family of Northwest Frontier Province (NWFP). He founded Pakistan Industrial Development Corporation (PIDC) and headed several big government corporations before resigning from govt job in 1968 to look after his own business. Because of his contribution in Pakistan'a industrial development he is sometimes described as "the Goliath who industrialized Pakistan".

S No	Name	Assests	Turnover
1	Mirpur Khas Sugar Mills	374	544
2	Cherat Cement	1,840	529
3	Cherat Papersack	251	263
4	Greaves Air Conditioners	-	-
	TOTAL	**2,465**	**1,336**

Unlisted Companies

1. Farooq (pvt) Ltd
2. Greaves Cotton (pvt) Ltd
3. Associated Constructors (pvt) Ltd
4. Greaves Modaraba Services (pvt) Ltd
5. Greaves Carbon Products (pvt) Ltd

6. Greaves Power Engineering

Ibrahim

S No	Name	Assests	Turnover
1	A A Textile	400	704
2	Ibrahim Textile	664	1,018
3	Zainab Textile	832	811
4	Ibrahim Energy	437	96
5	Ibrahim Fiber	-	-
	TOTAL	**2,333**	**2,629**

Financial Companies

S. No	Name	Assets
1	Ibrahim Modaraba	142
2	Ibrahim Leasing	194
	Total	**336**

Unlisted Companies

1. Ibrahim Agencies (pvt) Ltd
2. Ibrahim Enterprises (pvt) Ltd

United Group (Sadiqsons) of Companies

United group made the bulk of its fortune during the chief ministership and premiership of Nawaz Sharif when the group was sold Pasrur Sugar Mills for a token price of **Rs one** and its Chairman, Mohammad Saleem was appointed managing director of National Development Leasing Corporation (NDLC) replacing Rafiq Habib.

At the time of privatization of Pasrur Sugar Mills, the United Sugar committed a bank guarantee of Rs 200 million towards the liabilities of Pasrur Sugar Mills to the financial institutions and agreed to contribute an additional equity of Rs 50 million for the rehabilitation of the sick mill. The agreement provided that all future BMR projects of Pasrur Sugar Mills will be financed on 50-50 basis.

Pasrur Sugar Mills became a heavy stone around the neck of the parent company and nearly a decade after its acquisition; the United Sugar Mills has become a defaulter to nationalized commercial banks.

S No	Name	Assets	Turnover
1	United Sugar	417	619
2	Sajjad Textile	346	275
3	International Floor Covering	273	47
4	United Carpets	239	48
5	United Woolen	214	49
6	United Jute	460	113
7	Sana Fabrics	272	-
8	Ahmad Spinning	16	-
	Total Manufacturing Assets	**2,237**	**1,191**

Financial Assets

S. No	Name	Assets
1	NDLC	3,644

Unlisted Companies

1. United Paints
2. Pasrur Sugar Mills
3. S. Mohammad Saeed Goreeja & CO

Bawany

Bawany dynasty was founded by two Bawany brothers, Ahmad Karim Ebrahim Bawany and abdul Latif Ibrahim Bawany born in 1882 and 1890 respectively at Jetpur, Kathiawar, who had migrated to Burma towards end the end of 19th century and set up Ahmad Violin Hosiery Works in Rangoon. The two brothers reportedly made their initial fortunes by selling cloth as a vendor on bicycle from village to village. It was in Rangoon that they incorporated their first limited company and established themselves as an importer and exporter.

After the military coup in Burma they returned to set up a business in India and in 1947 migrated to Pakistan. It was perhaps in memory of the Hosiery Mills at Rangoon that a company with the same name was incorporated in Karachi and is doing a flourishing business.

The name Bawany has its origin in the name of an elder of the family, Bawa known for his honesty and hard work in home town Jetpur.

They were first among the Memons to open a purchase office in Kobe, Japan and supported the construction of first mosque in Japan at Kobe.

Bawanies were a big family and Ahmad Bawany had seven sons namely Siddiq, Majid, Yahya, Ibrahim, Amin, Rauf and Zakaria Bawany, each of whom is believed to be heading at least one idependent industrial unit independently. Presetly the members of Bawany family are active in textile, jute, sugar, particle board, Oxygen, leather, garments, tanneries and cables.

Al-Noor is splinter of Bawanie and the two have joint interests in several companies. It set up its first Project Al-Noor Sugar Mills in 1970 and today has four companies listed on KSE. A big project by Al-Noor which is in the offing is under construction is Al-Noor Fertilizer located at Dhabeji, 50 Km from Karachi with the projected installed capacity to produce 390,000 tons of Urea and 390,000 tons of DAP.

S No	Name	Assests	Turnover
1	Bawany Sugar	780	632
2	Faran Sugar	875	576
3	Pioneer Cables	239	358
4	B F Modaraba	16	16
5	Bawany Air	55	41
6	Annoor Textile	77	21
7	Bewany Metals	-	-
8	Latif Jute Mills	133	122
9	Pakistan Telephone Cables	-	-
	TOTAL	**2,175**	**1,766**

Schon

Schon has been a controversial group and its chairman Athar Hussain, a former pilot with PIA had been taking great pain to explain the origin of seed money for the group. After the dismissal of Benazir govt in November 1996, Athar Hussain and his two sons fled Pakistan because of scandals about their deals with the Privatization Commission and their relationship with Asif Zardari, husband of former prime minister.

Schon bought National Fibre, Pak-China Fertilizer and Quaidabad Woolen Mills in Nawaz Sharif's privatization and nearly succeeded in acquiring Pak-Saudi Fertilizer Company during Bhutto's privatization, through a front man.

The group was founded in Singapore in 1973 to engage in import and export business while Athar Hussain was working as a pilot with the Singapore Airlines. It started as an Export House and grew around the hefty rebates that the group got on the export consignments. Nasir Hussain in an interview with Ovais Subhani of "The News", Islamabad narrated how he got his first order of shirts worth 300 dollars to Singapore and later took a furlow from college in the United States to supply a big garments order.

"Winning a export order from the Export Promotion Bureau proved to be the turn I was looking for. And in a little time we had enough resources to bid for a textile mills and later for a fibre unit under Nawaz Sharif's privatization", he said in the interview.

According to Privatization Commission figures, Schon had acquired National Fibre and Pak-China Fertilizer for total bid prices of Rs 1,21,3.84 million (Rs 756.64 million and Rs 456.84 million respectively) but was handed over the management after a down payment of Rs484.5 million and the bulk of the balance amount is outstanding against the group.

In November 1991, at an investors conference in Islamabad, the Schon group announced plans for the setting up of a 30,000 barrels per day refinery at Port Qasim, in collaboration with PHOENIX Corp and Petro-Chem of United States under Benazir Bhutto govt when members of Schon group had close contacts with Asif Zardari, political clout used to put together a financial package for the refinery in which National Investment Trust and several banks forced to join the project as equity partner.

After the sacking of Bhutto govt, newspapers carried several reports that Schon wanted to dispose off National Fibre and other units, prior to dismissal of Benazir Bhutto govt which was a violation of deed signed with Privatization Commission. A report in the daily, The News, Islamabad, in December 1996 also reproduced extracts of a letter by Tahir Hussain to Asif Zardari, revealing that a bid was being made to sell National Fibre through an intermediary.

"With regard to the visit of Pir Murad Ali Shah in connection with the purchase of National Fibre Limited, it is informed to your goodslef that as this unit is under heavy financial burden, therefore, it is of immense importance to get these loans waived off before further negotiations in respect of sale of this factory could be carried further. It is also informed that Corporate Law Authority has created a case against us which is becoming a problem for Schon Group. I shall be highly obliged if this case can be closed against National Fibre Limited. Accept my hearty felicitations and thanks on helping us to have the extended loan facility by the Habib Bank which was not possible without your personal interest in the matter “, the letter said.

Athar Hussain was taken into custody after dismissal of Bhutto govt but he managed to flee and is now living happily in United States. In November 1997, 8 residential plots and shares of Schon Bank were auctioned by Ehtasab Cell but a deal was mysteriously and quietly struck by Ehtsasab Cell and Athar Hussain. Details of the deal were not made public despite questions asked in the Senate but National Development Finance Corporation (NDFC) which started the legal process to repossess the National Fibre Limited was asked by the Ehtasab Cell to delay the takeover. According to the report published by The News, Islamabad on March 27, 1998, Ehtasab Cell has disbursed Rs 123 million to clear the dues of Pak-China Fertilizer to workers of the unit and WAPDA so that the unit can resume operation.

S No	Name	Assets	Turnover
1	National Fibre	1,851	838
2	Schon Textile	187	132
3	Schon Textile	-	-
4	Pak-China Fertilizer	-	-
	TOTAL	**2,038**	**970**

Financial Assets

S. No	Name	Assets
1	Schon Bank	1,994
2	Schon Modaraba	265
	TOTAL	**2,259**

Unlisted Companies

1. Schon Refinery
2. Schon Air
3. Schon Mineral
4. Schon Chemical
5. Schon Hosiery
6. Schon Export House
7. Schon Capital Market

Dada Bhoy

Abdul Ghani Dada Bhoy was the founder of Dada Bhoy group, starting in trade and branching off into the construction business. The group has a big share of cement market in Southern Pakistan.

Like other Memon groups, Dad Bhoys are closely linked through intermarriages with other leading families like Jaffer and Bawany.

Abdul Ghani Dada Bhoy had five sons and two daughters, namely Noor Mohammad Dada Bhoy, Mohammad Farooq Dada Bhoy, Mohammad Hussain Dada Bhoy, Abdullah Hussain Dada Bhoy and Ghulam Mohammad Dada Bhoy. Daughters are Mrs Mehrunisa Jaffer and Mrs Zaibunisa Tanveer.

S No	Name	Assets	Turnover
1	Dadabhoy Padube		
2	Pak-German Prefab	51	10
3	Dadabhoy Cement Industries	1,965	896
	TOTAL	**2,016**	**906**

Financial Assets

S. No	Name	Assets
1	Dadabhoy Leasing	151
2	Pak Resources Insurance	

Unlisted Companies

1. Dadabhoy Agencies (pvt) Ltd
2. Dadabhoy Investment (pvt) Ltd
3. Dadabhoy Housing (pvt) Ltd
4. Dadabhoy Construction Company
5. Agro-Forestor (pvt) Ltd
6. Dadabhoy Engineering (pvt) Ltd
7. Parero Industries
8. Chemin Industries
9. Dadabhoy Energy Supply Co

Possible

1. Quartz (pvt) Ltd
2. Karachi Lubricant Ltd

Rupali

S. No	Name	Assets
1	Rupali Plyster	1910
2	Sunari Bank	12,838
	TOTAL	**14,748**

Sitara

S No	Name	Assets	Turnover
1	Sitara Spinning	497	329
2	Sitara Energy	1,122	439
	TOTAL	**1,619**	**768**

Colony

Mian Mohammad Ismaeel Sheikh was a business magnate who headed the biggest industrial and commercial concerns owned by Muslims in the present-day Pakistan, and in pre-partition India. The group set up its first factory in 1898, first flour mill in 1908 and at the time of partition comprised 14 ginning factories and 4 flour mills. A Crescent and Star was the insignia of the group.

The group lost heavily to Bhutto's nationalization and it was left only with a few textile mills, flour mills and ginning factories.

The fate of the parent company Sheikh Mohammad Ismaeel and Company and Messes Sheikhco Co Ltd are not known.

S No	Name	Assets	Turnover
1	Suhail Jute	193	118
2	Colony Sarhad	422	217
3	Colony Woolen	7	-
4	Colony Textile	196	291
5	Nafees Cotton	683	544
6	Colony Thal Textile	-	-
7	Salman Noman	119	196
	TOTAL	**1,620**	**1,366**

Financial Companies

SNo	Name	Assets
1	National Security Insurance	94

Premier

This group has developed around one of the oldest sugar mills in Pakistan namely Premier Sugar Mills belonging to a Hindu family which changed hands at the time of partition and was bought over by Sarfraz Khan, father of late Mir Mohammad Afzal Khan, a minister in Zulfikar Ali Bhutto's cabinet.

The current chairman of the group, Abbas Sarfraz is among the few who have declared their assets to worth over 1 million dollars.

S No	Name	Assets	Turnover
1	Premier Sugar	655	302
2	Chasma Sugar	643	626
3	Frontier Sugar	135	170
4	A R Pak	68	-
	TOTAL	**1,501**	**928**

Shahnawaz

Chaudry Shahnawaz was the sole distributor and agent of Mercedez Benz when he launched Shezan International Limited in 1965, to manufacture juices, preserving and canning fruits, vegetables and their products. Although not so prominent among the 22 families, Shahnawaz is one of the leading industrial conglomerate of agricultural processing industries, sugar and textile mills. It is currently headed by Muneer Nawaz who is one of the 30 odd Pakistani nationals who have declared their assets to be in excess of 1 million dollars in 1993.

The real strength of the group still lies in the parent company Shah Nawaz Limited which has grown into one of the biggest trading company in Pakistan representing multinationals like the Mercedez Benz, NEC computers and communication equipment and is heavily involved in the import and export business with former socialist countries.

S No	Name	Assets	Turnover
1	Shah Taj Sugar	554	605
2	Shezan International	314	682
3	Shahnwaz Textile	-	-
4	Shah Taj Textile	199	192
5	Benz Industries	-	-
6	Shah Pur Textile	232	233
7	Modaraba		
	TOTAL	**1,299**	**1712**

Unlisted Companies

1. Hatter Fruits (pvt) Ltd Shah Nawaz Ltd

Fazal

S No	Name	Assets	Turnover
1	Mubarik Textiles	346	119
2	Fatima Enterprise	-	-
3	Fazal Textile	-	-
4	Reliance Textile	-	-

Umer

S No	Name	Assets	Turnover
1	Bhenero Textile	457	665
2	Blessed Textile	320	209
3	Faisal Spinning	349	326
	TOTAL	**1,126**	**1200**

Unlisted Companies

1. Al-Fajr Manufacturer of Hush Puppy Shoes

Calico

S No	Name	Assets	Turnover
1	Ice Textile	711	676
2	Ideal Spinning	318	392
3	Calico Cotton	47	75
4	Ashfaq Textile	159	129
	TOTAL	**1,235**	**1,272**

Unlisted Companies

1. Arshad Textile

Adamjee

"In a society, deep neck in corruption, I more often than not, find myself a misfit. There is no place for a veteran businessman anymore in the society ".

G M Adamjee

The Adamjee dynasty was founded by Haji Dawood in 1896 by establishing a commodity trading company, but it was his son Sir Adamjee Haji Dawood, under whom the Adamjee empire came to be built on a solid foundation. In 1923 he built a Match factory outside Rangoon, second biggest in the world for a long time. At the time of partition, Adamjee were the biggest exporter of jute from Calcutta.

Abdul Wahid Adamjee had three sons, namely Mohammad Hanif, Abdul Hamid and Abdul Razak.

A G Adamjee s/o Zakaria Adamjee has two sons Akbar Adamjee and Zafar Adamjee. G M Adamjee has Ashraf Adamjee.

Adamjee Jute Mills was the biggest jute mill in the world, employing 25,000 workers and producing 100,000 tons of Hessian and gunny bags. Other units in the group in East Pakistan included:

- Primier Lamination producing polythene laminated jute goods.
- Meghna Textile Mills
- Star Particle Board
- National Tubes Limited at Tongi Industrial Area
- Dacca Vegetable Oil Industry and
- Aroma tea blended from five tea gardens at Sylhet

In addition Adamjee had stakes in other business concerns in East Pakistan like Karnaphuli Paper Mills of Dawood and Bengla Assam Steamship.

In Bhutto's nationalization they lost Muslim Commercial Bank and interest in Mohammadi Steamship Company, leaving them only Adamjee Sugar Mills and Adamjee Cotton Mills, Karachi.

Adamjee own Pakistan's biggest insurance company, Adamjee Insurance but do not rank among top 44 groups based on manufactruing assets. However like the Habib group they are also making conscious efforts to appear small and inconspicuous. For example they have set up a big pharmaceutical unit whose products are being sold in the market under the packing of Adamjee without identifying the company.

S No	Name	Assets	Turnover
1	K S B Pumps	343	385
2	Adamjee Paper	180	86
3	Mehran Jute	91	97
4	Adamjee Flooring	62	5
5	Adamjee Ploycraft	-	-
	TOTAL	**676**	**573**

Financial Compnies

SNo	Name	Assets
1	Adamjee Insurance	2,000

Unlisted Companies

1. Adamjee Diesel Engineerin (PAK) Pvt Ltd
2. Adamjee Pacific Trading Company Adamjee Engineering Pvt Ltd Adamjee
3. Construction Company Adamjee Ammam & Whitney Pak. Ltd Adamjee Durabuilt (Pvt) Ltd

4. Adamjee Auto Part Manufacturing Company Adamjee Industries Ltd
5. Adamjee Garment Industries Associated Trading Company AJAX Industries (Pvt) Ltd
6. AJAX Trading Company
7. Golden Valley Trading Company Mingle Trading Company Ltd
8. Eurasian Chemicals (Pvt) Ltd

Tawakkal

S No	Name	Assets	Turnover
1	Tawakkal Limited	390	611
2	Tawakkal Garments	454	239
3	Hamraz Industries	198	290
4	Tawakkal Polyster	261	69
5	Baluchistan Wheels	375	148
6	Naya Daur Motors	-	-
	TOTAL	**1,768**	**1,357**

Financial Companies

S. No	Name	Assets
1	Tawakkal Modaraba	644
2	Unity Modaraba	

Unlisted Companies

1. Tawakkal Exports
2. Tawakkal Enterprise
3. Tawakkal Builders
4. Tawakkal General Export Corporation
5. Tawakkal Textile Corporation
6. Pullatan Cement Corporation in Sri Lanka bought for 41 million Dollars

Jehangir Elahi

Jehangir Elahi is brother in law of Mian Mohammad Mansha and is ranked among the top 44 industrial groups in Pakistan. He has launched several projects as joint ventures with Mian Mohammad Mansha, as for example Genertech, one of the earliest private sector power plants conceived in Pakistan.

Independently his group has four companies listed on the stock exchange.

S No	Name	Assets	Turnover
1	Taj Textile	1,304	359
2	Elahi Cotton	130	188
3	Elahi Spinning and Weaving	604	564
4	Elahi Electric	497	-
	TOTAL	**2,535**	**1,111**

Unlisted Companies

1. Elahi Enterprise
2. White Cement

Kassim Dada

Kassim Dada comes from one of the oldest Memon enterpreneurs family from the sub-continent which had set up Dada Commercial house in the 19th century. Long before the creation of Pakistan, the Dadas had set up offices in Burmah, South Africa and countries of the Far-East. It was as a representative of Dada Commercial House "(DADA Abdullah and Company)" that M K Gandhi went to South Africa, as a lawyer in 1893.

The Dadas were reported to have set up several big and medium sized projects in Pakistan, "While retaining their interests in India ", including as asbestos Cement Factory plants at Karachi, Hyderabad and Chittgong, three textile mills, cotton and chemical plants. At least three cement plants were lost in East Pakistan and in Bhutto's nationalization.

"But the Dada's share in Pakistan's big business and their capital must not be judged only on the basis of enterprises which they control directly. The point is that the Dadas who have continuously held ruling positions in Karachi Stock Exchage, have made wide use of concealed forms of financial control. They have also been junior partners in a number of of Pakistani and foreign monopolies", Sregey Lvin observed abut Dadas in "the upper bourgeoisie from the Muslim commercial community of Memons of Pakistan.

S No	Name	Assets	Turnover
1	Dadex Entrite	791	683
2	Punjab Building Products	104	52
	TOTAL	**895**	**755**

Kassim Dada holds major local equity in the following Multinationals:

1. Smith Kline
2. Brook Bond
3. Berger Paints

Kassim Dada was sponsoring director in Hyderabad Elecronics, Aumotative Battery Limited and Interfund Bank.

Kohistan

S No	Name	Assets	Turnover
1	Masood Textile	1,016	1,191
2	Mahmood Textile	938	2,018
3	Asim Textile	447	182
4	Kakakhel Industries	132	410
	TOTAL	**2,578**	**3,801**

Unlisted Companies

1. Aizad Beverages Industries (Pvt) Ltd
2. Punjab Agricultural Cooperative Corporation
3. Mahmood Power Generation

The group also hold the frunchise for Coca Cola in the Faisalabad area and appears to have acquired Khurshid Textile Mills since it was in connection with rescheduling of a Rs 800 million loans relating to this mill that former zonal chief of Habib Bank G M Khairati was arrested in 1996, on complaint of MNA Shahid Nazir, for seeking commission from him.

Epilogue

For several years, the people and government of Pakistan are living at two opposite horns of an economic dilemma. While the people are groaning under the heavy burden of taxes, mostly paid indirectly in the form of sales tax, excise tax, developmental surcharge and above all, by way of graft and corruption, the government and CBR keep bemoaning that in Pakistan nobody pays taxes. Both are right because only a fraction of the amount paid by the people reaches the government coffers.

Like development, corruption trickles down and bubbles up, and Pakistan excels in corruption at the top and the grassroots, in public sector and private, in corporations big and small. The federal government in Pakistan employs 950,000 people, four provincial governments 1.8 million, Sindh alone is believed to have ten percent ghost employees. Army was helping the Punjab government in identifying ghost schools in the province.

WAPDA is Pakistan's biggest employer, Pakistan Railways second biggest, CBR is at number three. They have same ranking on the scale of corruption.

Ministry of Petroleum and Natural Resources award contracts worth dollars one billion per annum for import of crude and petroleum products and is responsible for the utilization of development surcharge worth Rs 30-35 billion collected on petroleum products and natural gas. It was no coincidence that the largest cases of corruption found by the caretaker government of Meraj Khalid related to the Ministry of Petroleum and Natural Resources.

The increasing number of fraud cases in rebates and duty drawbacks amounting to Rs 20 billion per annum and large-scale smuggling of goods through the custom check posts at Torkam, Susst, Wagah and Tuftan only give a measure of the graft that greases the palm of the people in CBR and its subordinate departments.

There are literally thousands of exemptions incorporated in the system for the rich and the privileged. There are 180 exemptions from payment of income tax alone. The exemption to capital gain first announced in 1975 has been extended five times and will now expire in 2002. Tax holiday for industry was first announced for a period of 2 years in 1959 and is now available in 49 industrial estates.

Both Benazir and Nawaz Sharif championed transparency in privatization and at least 90 industrial units and several financial institutions have been privatized. Starting with Muslim Commercial Bank, the first unit to be privatized till Kot Addu Power privatized by Bhutto at the far end of her government, there are very few units whose privatization is scandal-free. Yet privatization continues to be the Achilles heel of the present government's economic policies.

While the ordinary tax payer is required, or was required till recently to disclose the amount he was spending on education of his children, electricity, telephone, there is no law requiring the super-rich to reveal how many textile mills, sugar mills, industrial units they own. In 1970 Pakistan had 22 families. There number seems to have increased to 220 or 2200 but only 50-60 of them are identifiable. Nameless, faceless billionaires in Pakistan have made fortune in drugs (1.5 million dollars per annum, according to a United Nations International Drug Control Programme Report in 1992), smuggling (1.5 billion dollars through Afghanistan and India alone), graft, kickbacks and commissions (Rs 40-50 billion according to Dr Mahboob ul Haq). These billionaires include businessmen and industrialists, corrupt politicians, ever-corrupt and over-promoted bureaucrats, retired generals and their off springs.

How Herculean is the task to reform the state apparatus comprising nearly a thousand state entities employing 2.7 million people can be illustrated by a simple example.

Benazir Bhutto so accustomed to inaugurating bridges over rivers and roads, after performing one such ceremony inquired about the manner in which toll was levied over traffic passing over the new bridge. She did not receive a satisfactory answer and therefore decided to set up a committee head by Deputy Chairman Planning Commission Kazi Aleem Ullah to examine how toll should be levied on bridges and roads in Pakistan. That a political government did not know how to levy toll on bridges and highways was the height of incompetence and Planning Commission needed to set up a committee to examine the issue was the height of intellectual dishonesty. To add salt to injury, the committee that was constituted to study the issue was nothing but “brotherhood of thieves”, comprising same people and organizations that were benefitting from the lawlessness in the collection of toll-tax. Not a single meeting of the committee was held and the business is as usual.

For three months, I unsuccessfully tried to find out from the National Highway Authority how and who impose toll on bridges and highways in Pakistan. It was only through my own rudimentary methods that I found out that there was no uniform or laid down rules about who and how toll was collected. Presently, toll on 25-30 bridges was being collected by the National Highway Authority, provincial governments and local bodies. A very big portion of the toll line the pockets of the contractors and those who award the contract.

One wonders how a government that can not efficiently perform a task as simple as collecting toll and octroi can reform a system that is corrupted to the last core and up to the hilt?

Bibliography

1. 50 years presentation volumes of Habib Bank Limited; 50 years of Pakistan defence, a supplement in Daily Jang, August 10, 1997. (Pakistan's first budget was for Rs 890 million including projections of Rs 750 held with the Reserve Bank of India as Pakistan's share which was never paid. Thus the actual budget for 1947-48 projected a revenue of Rs 140 million).

2. The Share Capital of Joint Stock Companies as on 31.12.89 published by Federal Bureau of Statistics. Interview with Former Industries Secretary Iqbal Saeed.

3. “The last of the Mochians”, An interview with G M Adamjee, The Daily Dawn, 23.9.95.

4. Yusuf Haroon, interview with author

5. Ahamd Dawood, a biography by Umer Baltiwala

6. 50 years presentation volume of Habib Bank Limited

7. The Bawany's of Karachi, The Friday Times, September 1996

8. Farooq A Sheikh, interview with author

9. Sadruddin Hashwani, interview with author

10. Pakistan's Biographical Encyclopedia, 1970 Edition p 327

11. IBID

12. Business Houses in Western India, Edited by Dwijindra Terepathi, published by Manoher publications, New Delhi.

13. G M Adamjee, Interview by Teenaz Javed, The Daily Jang

14. An article about State Bank of Pakistan

15. Yusuf Sherazi, Interview The Daily Dawn 7.10.95.

16. Social Structures in Bangladesh, Yuri Gangsovak, People's publicatios Lahore.

17. Interview with Jehangir Monnoo, The Friday Times

18. Interview with Khawaja Mohammad Javed, Chairman Chakwal Group, Asia Money, May 1994.

19. White Paper on Economy under Bhutto released 1979.

20. Economic Survey of Pakistan 1972-73.

21. H K Burki, interview with author.

22. Article by Masood Baghpati, The Daily Dawn 1.6.92.

23. Ahmad Dawood, a biography by Usman Baltiwala.

24. The press conference by Dr A Q Khan at the conclusion of Fifth International Symposium on Advanced Materials, 25.9.97

25. Interview by the author with former Industries Secretary Iqbal Saeed.

26. The biographical encyclopedia of Pakistan, 1970 p 649

27. An advertisement in the Daily Dawn 10.1.91.

28. The Privatization in Pakistan, policies and programmes, Ministry of Finance, published November 1991.

29. A list of units privatized by Nawaz Sharif government, released by Benazir govt.

30. From Domesay book of Magna Carta, qouted by Susan Hwatch in her Novel Penmarric p 486

31. Privatization policy and its implication p 8, Ministry of Finance, Nov 1991.

32. Company Review of United Sugar Mills by Dilawar Hussain, May 1991.

33. Sikandar Jatoi

34. An interview with Senator Saif ur Rehman circulated by Associated Press of Pakistan on 17.8.97.

35. Press conference by Care-taker Minister for Petroleum and Natural Resources Javed Jabbar on 1.2.97.

36. The Privatization of Banks, article by G Yaseen, The News 17.7.95, Sartaj Aziz blasts government on UBL take over, The Daily Business Recorder, 23.4.96.

37. Press conference by V A JAffery.

38. The list of defaulters published by Moeen Qureshi.

39. The list of defaulters published by Meraj Khalid.

40. A profile of Rafiq Habib, Economic Review, November 94.

41. A profile of Tabani group brochure.

42. Shaukat Masood, a member of Fazal group, interview with author.

43. Pakistan Economic Review, 1984.

44. Behram Avari interview with Daily Jang 31.1.97. Rooms for More, Far Eastern Economic Review 27.4.95.

45. A rejoinder in Daily Dawn to an article published 21.2.97.

46. The Memons of Pakistan, an article by Sergey Levin in the book Soviet scholars view South Asia, Peoples Publishing House, Lahore published 1975.

47. Annual Conference of Memon Professionals The News 26.7.97 and Daily Jang Rawalpindi, last week of July 1997.

48. Biographical Encyclopedia of Pakistan, 1970.

49. Role of business communities of India in freedom movement, by S N Tanwari.

50. The Memons of Pakistan, an article by Sergy Levin.

51. The biographical Sketches of Dost Mohammad Monnoo p 33.

52. Interview with Mian Umer, Administrator Chinioti Hospital, Chiniot.

53. Business Communities of India, Dwijenda Tripathi.

54. G M Adamjee, interview with Dawn 23.9.95.

55. Political system of Pakistan and public policy, Saeed Shafqat p 197.

56. Ahmad Dawood, Biography Umer Batliwala.

57. Interview by author with a visiting foreign correspondent.

58. A former employee

59. An undated article from Daily Jang.

60. Pakistan in development decade, edited by Agha M Ghaus, published by Economic Development Seminar, 14 Race Course Ground, Lahore.

61. An article by Nawab Hyder Naqwi.

62. The Nation 11.6.92.

63. The sick industary therapy, article by H U Beg in The Banker Jan-June 1994.

64. The Daily Business Recorder 4.1.96.

65. Restructuring the financial system, World Bank document 11637-Pak

66. Credit for the housing sector, A study by USAID

67. A letter by Shahbaz Sharif to Columnist Irshad Haqani Daily Jang 31.10.95.

68. Interview with BOI officials.

69. Impact and implications of income tax amendments, by Prof. Massod Ahmad Abbasi, Daily Dawn 16.9.91.

70. Daily Jang Lahore, 25.5.97.

71. Daily Jang Lahore, 14.1.95.

72. Business Recorder 30.4.95, The Nation 21.6.96, Dawn 27.4.96.

73. Mehran Bank Commission of Inquiry p 19.

74. CBR Wealth Tax Directory.

75. PML Press release dated 7.5.96.

76. A report by Shaheen Sehbai, Dawn Washington Correspondent 23.1.97.

77. Domestic Resource Mobilisation World Bank Document 632 p 26.

78. IBID

79. Press conference by caretaker Minister for Petroleum Javed Jabbar 1.2.97.

80. Monopoly Control Authority Report into Cement Price hike

81. Interview with Hamid Gul.

References

1. Biographical Encyclopedia of Pakistan, 1970 edition, published by International publisher, Lahore.

2. No hard feeling Mr Mansha, an interview by Amir Mateen, Daily Nation.

3. Pakistan wants market accross not aid, Asia week interview with Mian Mansha.

4. Looking for a place in history, an interview with Mahmood Awan, The Nation.

5. Mrecs, Motown and Peking duck, The Friday Times December 22, 1994.

6. The name of the game is cost, interview with Ayesha Haroon, The Nation April 28, 1997.

7. The timeless quality, Nishat group profile 1990.

8. Coming into their own, Business today profile of Naseem Saigol March 22, 1992.

9. The legend of Kohinoor, The Friday Times May 20, 1993.

10. Saigol Group of companies, a profile.

11. We support every govt, Nasim Saigol interview with Sohail Warraich, Daily Jang 22.5.92.

12. Crescent on the horizon. By Meena Hasan The Friday Times 1993.

13. Crescent Group clarification to Shaheen Sehbai dated April 28, 1993.

14. Press conference by Mian Zahid Sarfraz, Labour Minister, Chairman Accountibility Committee, May 7, 1993.

15. Federal Anti corruption committee enquiry into the accounts of the Ittefaq Foundaries Ltd.

16. Press conference by Shahbaz Sharif Auguat 3, 1989.

17. Press conference by Salman Taseer, Information Secretary Pakistan Peoples Party September 25, 1991.

18. Memorandum of understanding between the families of the Ittefaq group.

19. Shabaz rebutts Babar's claim, daily Dawn, November 16, 1995.

20. Plunders by Mian Nawaz Sharif and looters of Nawaz League, released by PPP.

21. Muslim banking pioneer, letter to editor by Haji Aziz Dossa Daily Dawn 11.9.91.

22. Habib Bank A G (Zurich) Silver Jubilee supplement, Daily Dawn September 16, 1992.

23. 50 years of Habib Bank. Souvenir publication.

24. The House that Habib built, a group profile.

25. A Pakistani capitalist runs a nationalized, the New York Times, July 31, 1977.

26. Not my bread alone, by Jugnu Mohsin, The Friday Times July 29,1993

27. Lala Amjad, a life well spent. The Friday Times, June 6, 1996.

28. Chakwal group poised for growth, an interview with Khawaja Mohammad Javed, Asian Money, May 1991.

29. Hotelier in Pakistan looks for revival, by Joseph P Manjund, Asian Wall Street Journal June 2, 1986.

30. Pakistan's Hotel King, Asia Week, May 10, 1991.

31. Sadruddin Hashwani, interview by monthly Herald, January 1985.

32. A profile of Akbar Ali Hashwani, provided by Arjuna Ranawana of Asia Week.

33. Hashwani Group of companies.

34. Hashoo group of companies, a profile.

35. Weekly Takbeer, Karachi, January 23, 1997.

36. 10th anniversary of Pearl Continental Hotels, supplement in Daily Dawn, October 2, 1996.

37. Marriot Hotels, supplement in Daily Dawn October 2, 1992.

38. Our country must maintain its economic sovereignty, an interview with Yusuf Shirazi, by Teenaz Javat, Daily Dawn, October 7, 1995.

39. An Atlas Group profile.

40. Private airlines to face difficulties, an interview with Capt. Athar Hussain, Pakistan and Gulf Economists, December 26,1992.

41. Business is like riding a bicycle, interview with Nasir Hussain by Ovais Subhani, undated, The News, Islamabad.

42. Ehtasab Cell asks NDFC to delay take over of NFL, The News, Nov 5, 1997.

43. EXIM Bank blocks loan for refinery, a Report by Shaheen Sehbai in Daily Dawn, January 23, 1997.

44. Ahmad Dawood, a biography by Usman Batliwala.

45. Dawood Group, a profile.

46. The House of Monnoo, an article by Mina Hassan, The Friday Times, March 13, 1993.

47. Fecto group of industries, a profile.

48. Gatron, the largest player in a key industry, an article in Asia Money, May 1991.

49. The Bawany's of Karachi, The Friday Times, September 1996.

50. Shezan International Ltd, The Friday Times supplement.