

Capital suggestion

Sugar daddies

Dr Farrukh Saleem



On November 7, 2008, the US Department of Agriculture (USDA) published the 'Pakistan Sugar Semi Annual 2008'. According to the report, Pakistan's sugar production for the 2008/09 forecast "decreased slightly to 3.56 million metric tonnes." On April 13, 2009, the USDA published 'Pakistan Sugar Annual 2009'. According to the report: "Pakistan's MY 2009/10 sugar production is forecasted at 3.65 million metric tons... Consumption is forecast at 4.35 million metric tonnes and imports at 730,000 tonnes." When the whole world knew that Pakistan was short on sugar, why did the government fail to import the commodity? And, when the price of sugar in Pakistan skyrocketed a full 100 per cent, who really benefited from it?

On July 23, 2009, Javed Kayani, the Chairman of Pakistan Sugar Mills Association (PSMA), Punjab Zone, told the media: "In view of the sugar stocks and consumption pattern of the country, we could say that there is hardly a possibility of shortage of the commodity in the current calendar year", adding that the "cancellation of sugar import tenders by the Trading Corporation of Pakistan (TCP) was a step in the right direction."

For the record, the average price of sugar during the fiscal year 2007-2008 was Rs27.67 a kilo. As of yesterday, sugar is being sold for Rs56 a kilo — more than a 100 per cent jump in the price. Obviously, the cancellation of sugar import tenders by the TCP was a step in the wrong direction. Roughly, a dozen of Pakistan's sugar daddies — one-third in the ruling party, one-third in the friendly opposition and one-third in the like minded — own some six dozen sugar mills. It's all about greed — public money, private greed. It's all about enriching private pockets with public money.

Admittedly, the 80-member mills of the PSMA are all in the business of maximising — greed in that sense is justified for them. In effect, it's a governance failure whereby our government has failed to protect the interests of the 170 million people of the country. It's a regulatory failure because the Competition Commission of Pakistan (CCOP) has failed to fulfill its pledge of creating a "business environment based on healthy competition..." To be certain, Pakistan's leading law makers have privately held interests that frequently collide with the interests of the people they rule over. Remember, a greedy father has thieves for children. What we need is a conflict-of-interest code; a code that minimises the "possibility of conflicts arising between the private interests and public duties of public office holders..." and provides "for the resolution of such conflicts in the public interest should they arise." In that sense, it's a parliamentary failure (all civilised parliaments in the world have instituted conflict-of-interest codes).

What we need is the creation of blind trust whereby our public office holders entrust their assets — including sugar mills — to fiduciaries who have "full discretion over the assets and trust beneficiaries have no knowledge of the holdings of the trust and no right to intervene in their handling." Sugar daddies are organised, coordinated and professional. Their victims, on the other hand, are disorganised, uncoordinated and amateurs. Sugar daddies did the same in 2005 and then again in 2007. The solution is simple. Break the sugar cartel. Deregulate the sugar market. Let the market import as much sugar as it wants and Pakistan will never ever face a shortage. However, deregulation will have potential winners and losers. And as things stand, potential losers of deregulation are either our rulers or the friendly opposition. Who will then put the 170 million people out of their sweet misery?

We have sugar daddies because our parliament has failed to remove conflict of interest, because the TCP failed to import, because the CCOP failed to intervene and because our law makers have failed to detach themselves from their sweet, mortal desires.

The writer is the executive director of the Centre for Research and Security Studies (CRSS). Email: farrukh15@hotmail.com