

Sugar and Water in Pakistan

*Following the release of a government report on the trade of sugar in Pakistan and its links to corruption, **Uzair Sattar (Research Intern, Wilson Center, Washington D.C.)** argues how the report's almost-complete exclusion of water showcases negligence towards Pakistan's existential water crisis.*

Imran Khan, Prime Minister of Pakistan, came to power on the back of the most vociferous anti-corruption campaign seen in Pakistan's political history. During his previous 22 years of political struggle in the opposition, Imran Khan fervently and consistently attacked the country's ruling elites. He accused the political class of using elected offices for personal financial gain, being complicit in perpetuating systematic state corruption, and holding the nation hostage to political family dynasties that perpetuated an elite-dominated, clientelist state-citizen relationship. After assuming power two years ago in July 2018, the Imran Khan-led government attempted to deliver on their promise of exposing corruption scandals and using the full might of the state to punish powerful elites purportedly acting with impunity.

With this mandate in mind, on May 22, 2020, a high-powered commission sanctioned by Prime Minister Imran Khan completed its investigation against powerful and politically connected sugar mill owners in Pakistan. [The public report](#) affirmed much of what we already knew: the industry operates like a cartel, duping stakeholders — government, farmers, taxpayers, and consumers — without any accountability or transparency. Farmers were cheated, taxes were evaded, unjustifiable subsidies were granted, and political influence was abused.

Despite the report's revelations, the sugar report did not touch upon one important aspect that is innately tied to the industry as a whole: water. In the 347-page report, there are only five mentions about water. No reference to water is more than a couple of sentences long, and only two details directly address the critical relationship between sugar and water (the other three references were agenda items in various governmental meetings). For example, on page 314, the report revealed that during a meeting in 2017, the Secretary of the "Ministry of National Food Security and Research" informed the Sugar Advisory Board that "due to water shortage we see [a] low production of sugarcane in upcoming crushing season."

The Secretary is factually correct. Variances in seasonal water flow can lead to unpredictable crop yields. However, lost within this symbiotic understanding of sugar and water lies an inconvenient truth: the water insecurity we experience in Pakistan is partly the result of our misguided policies relating to sugar. If we wanted to arrive closer to the reality of the sugar-water relationship, the statement above might have been phrased, "the production of sugarcane, in and of itself, could result in greater water insecurity."

To be clear, Pakistan's very real "water crisis" is not one of "absolute scarcity" — the notion that there is not enough water in Pakistan is simply wrong. While the numbers significantly vary, water experts estimate that total annual freshwater in the Indus Basin fluctuates between roughly 140-270 Million Acre Feet (MAF) every year. Conversely, [United Nations Resolution 64/292](#) (2010) on the "Human Right to Water and Sanitation" states that a person's daily requirement to satisfy basic needs (drinking, eating, bathing, cooking, etc) is 50-100 liters. Many commentators have argued that even this figure is overstated. Nevertheless, applying these estimates reveals that Pakistan's domestic demand stands at 18-36 MAF of water, comfortably below the Basin's total capacity.

Despite the excess capacity, segments of the once-mighty Indus tributaries have been reduced to drifting puddles. And what little water is left, does not reach the household. In just one illustrative example, millions of Karachiites living around Gujjar Nala, a 13-kilometre-long storm drain in Karachi, have not received water in their taps for over a decade. Drought conditions are endemic in Balochistan — the country's largest province. But somehow, sprinkler systems in water-guzzling golf courses never seem short of supply as they manicure the lawns before the day's first tee-off at dawn.

It is clear that the water crisis Pakistan faces is not of literal scarcity but one of inequitable distribution and accessibility — the brunt of which is faced by the most vulnerable in our polity. Pakistan's reliance on agriculture may be one of the most significant causes of the water crisis. According to the [Pakistan National Water Policy \(2018\)](#), the state allocates roughly 95% of its water to agriculture, leaving just 5% industrial and, more importantly, domestic use. In a country where the [UN estimates](#) that 40% of all yearly deaths can be attributed to an insufficient supply of clean water, the overdistribution of water to agriculture as opposed to the household, engenders shock and disbelief.

Sugar is one of the most water-intensive crops in the world. Pakistan is the 5th largest producer of refined sugar (after Brazil, India, Thailand, and China). And while we, as a nation, enjoy the validation that comes with being on a global top-5 list, this is unquestionably a list that Pakistan does not want to be on.

Calls for restructuring the bloated agricultural sector are predominantly met with three overarching apprehensions: the impact on farmers' livelihoods, the effect on Pakistan's food security, and the ramifications of overhauling Pakistan's most significant economic sector. All of these concerns, while valid, are not insurmountable – especially for the sugar sector.

First, we must address concerns over farmer's livelihoods. The sugar report corroborates the fact that large sugar mill owners use mechanized farming techniques that don't require significant labour. Therefore, the burden of reform moving away from sugar will fall not on workers in the mill, but on the many subsistence, small-scale farmers who cultivate sugarcane for their family's sustenance. With adequate state preparation, these vulnerable farmers can be protected. A two-pronged approach might help mitigate the risk. First, deployment of cash transfers – captured in the public imagination during the rapid deployment of funds amidst the Covid-19 pandemic through the government's flagship poverty alleviation program "[Ehsaas](#)" – could mitigate the immediate, short-term losses of farmers moving away from cultivating sugar. Next, cash transfers must be coupled with land grants and voluntary training programs to ensure farmers can grow other crops. We have already seen such flexibility in the recent locust attacks that pushed some farmers to explore alternative crop options.

Second, we must understand that sugar is not a vital component of national food security. Incidentally, the quote I mentioned earlier was attributed to the Secretary of the Ministry of Food Security and Research. The distinction between sugarcane and sugar is essential here. Crops such as wheat and rice directly contribute to the nation's food security because of our dietary requirements. Sugarcane (not sugar) is a critical component of food security, too – its high fibre content makes it a key component of people's diets in rural Pakistan. However, once sugarcane is processed into sugar at the mill, it becomes a cash crop (such as cotton). Cash crops do not contribute to food security and, by definition, are produced for their commercial value. The report rightfully focuses on sugar – the cash crop produced in the mill – as opposed to sugarcane – a vital part of some of rural Pakistan's dietary patterns – in its discussion. Therefore, categorizing sugar under the rubric of "food security" misses the point, and more importantly, sidesteps the greater existential issue: the water crisis.

Third, we must seek to substitute our domestic sugar demand – currently at [5.2 million tons](#) annually (requiring an estimated 7-10 trillion litres of water!) – by importing sugar from water-rich countries. Our water woes will be relieved from the possibility of importing sugar from countries such as Brazil or Thailand instead of using our precious water supplies. Undoubtedly, importing non-essential commodities that can be locally produced for export goes against the government's stated economic policy of reducing the current account deficit. However, the necessity of working towards a water-secure Pakistan must supersede temporal macro-economic objectives.

As with all structural reforms, there will be a natural pushback from patrons who have traditionally benefitted from pre-existing policies. In the sugar sector, this pushback is only compounded by the fact that in Pakistan, [the sugar business elite is the political elite](#). This creates a classic chicken-and-egg problem. Pushing sugar reforms through the door will require an incentive structure that will enable buy-in from the powerful vested interests that manifest themselves within our political class. One may hope that the moral incentive of abandoning practices that directly increase water insecurity in Pakistan may be enough. But sadly, moral incentives can only take you so far when tackling vested interests ordained by power and wealth. So it is only logical to create an incentive structure that directly focuses on wealth and power.

The Supreme Court of Pakistan has issued judgements against opening new sugar mills in Pakistan. This is a positive development but must be taken further. A governmental-mandated proclamation giving sugar mills a time period (say, by the end of 2022) to halt production and make alternative arrangements for the land and factories is the need of the hour. Such a move must be supported by economic (dis)incentives. The sugar report recommends that unfair subsidies to the sugar sector must end. This is a welcome recommendation but should be buttressed through pricing water used in sugar production. If the cost of producing sugar makes the good unprofitable, then it will not make economic sense for sugar barons to cultivate the water-intensive crop.

In our ostensibly water-scarce country, the story of the sugar industry's growth and expansion, and the subsidy managed for its market and export disposal, reflects horrifically misguided state priorities that burdens water-quenched Pakistanis. Until holistic discussions that include "out-of-sight" factors such as pitfalls in our water sector (and hydrology more broadly) befall concurrently with political and economic strategy, we will not get very far in understanding the structural causes of Pakistan's existential water crisis and how to resolve them. The sugar report was undeniably an opportunity to begin that discussion. It is admirable that this was the first public report detailing the extent of political infiltration and cartelization within the sugar sector that has plagued our political life. Nevertheless, the sugar report would have done well to focus on the consequences of the state's historic patronage of the sugar sector as it pertains to water.

This article gives the views of the authors, and not the position of the South Asia @ LSE blog, nor of the London School of Economics. Photo: Dry soil; Credit: [@danielcgold](#), Unsplash.