

QUESTION - 5

Special Investment Facilitation Council

"It is important that we note the weakness in our financial system and work toward implementing the solution before the next crisis comes." - Gordon L. Eade

Introduction:

Pakistan is facing myriads of crisis including devaluation of rupees, depleting foreign exchange reserves, economic crisis, political instability, poverty and many more. In the wake of horrendous economic crisis, government of Pakistan took the laudable step towards the creation of Special Investment Facilitation Council. SIFC will work by attracting foreign direct investment. Creation of SIFC is the step towards right trajectory.

Causes of Economic Crisis in Pakistan:

Following are the major causes for the existing economic crisis of Pakistan

1: Adhocism based model of economy

Since the inception of Pakistan, there has been flaws in economic model. For example: Harvard trickle down model of Ayub Khan, nationalism of Bhutto, borrowed economic model of Musharraf, short term economic model of Benazir Bhutto and Nawaz Sharif which were dependent on

World Bank and IMF, the credit consumer model of Musharraf where loans were provided to the people with business ideas to run small enterprises, crony capitalism of Nawaz Sharif where close re-advantageous relations were established between lenders and government officials, and last but not the least, the welfare system of Imran Khan.

2- External and domestic indebtedness:

IMF has projected that the external debt of Pakistan will reach at \$130 billion from 123 billion dollars in FY 2023-2024.

As per the report of State Bank of Pakistan; In March 2023, external debt has been reached to 125 billions dollar already.

Interest payment reached at 7.3 trillion Rs (dollars) from which 6.4 trillion Rupees has been allocated to domestic debt and remaining amount to external debt.

3- Poverty, unemployment and spiralling inflation:

As per Pakistan Bureau of statistics; inflation in FY 23 has been reached to 38 pc

As per World Bank report; poverty rate is increased by 5% to 39 percent, pushing 12.5 million more people below poverty line

As per United Nation Development Programme:

38 percent people in Pakistan are poor with 12 percent being vulnerable to become poor.

4- Dwindling foreign exchange reserves:

In FY23, Pak has been left with only 9.7 trillion dollars foreign reserves. In FY21, the foreign reserves were all time high of 27 trillion dollars. These figures underscore the economic situation of Pakistan

5- Burgeoning imports and declined exports:

According to Pakistan Bureau of statistics, in FY23 Pakistan's exports stands at 24 billion dollars. In FY22, exports stands at 48 billion dollars. Another report by Pakistan Bureau of statistics shows that in first two months of FY23, food items of worth 372 billion rupees has been imported. In 2022, 9.4 billion rupee agricultural products has been imported

6- Devaluation of rupee:

Devaluation of rupee against US dollar (rupees) is another major factor for the harrowing situation of economy

Year	Rupee per one US dollar
2000	37 rupees per 1 US dollar
2008	64
2013	85
2018	128
2021	174
2023	308

Inter Bank rate

7- Decrease in foreign direct Investment

In FY 2023, Pakistan received 9.4 billion dollar of foreign direct investment. In FY 2022, Pakistan received 9.8 billion dollar of investment. The huge difference has its impacts on employment, development projects etc.

⇒ Creation of Special Investment Facilitation Council (SIFC)

On 20, June, 2023, government of Pakistan has announced the creation of SIFC to tackle the current situation of economic crisis. SIFC will act as **single window**. Amendment has been done in Board of Investment ordinance 2001 by adding a chapter 11-A regarding SIFC.

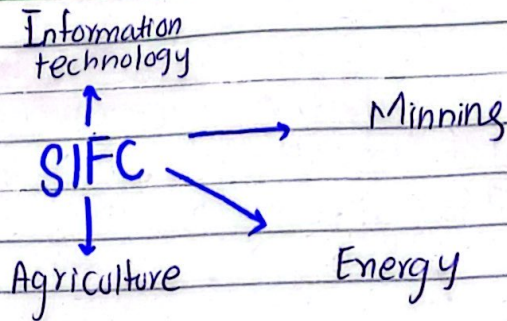
Aim of SIFC

SIFC is created with the aim of facilitating a good business environment and attracting foreign direct investment.

SIFC will represent all stake holders and coordinate with different departments of government.

Key target areas of SIFC

SIFC will focus on specific sectors and will provide a suitable environment to investor to easily invest. SIFC will make short the lengthy process of investment.



SIFC will collaborate with energy, agriculture, information technology, and mining sector and will represent them. SIFC will act as a single window.

Projects under SIFC :

SIFC has represented 28 projects to invest including; Thar coal rail connectivity, construction of Diamer Basha dam, hydel power project of 245 million dollars, lending of 85000 acre of land to single investors, coal projects etc.

These projects has the potential to attract huge foreign direct investment from china and Middle east.

Visa Issue policy by SIFC

As directed by SIFC, foreign ministry is mandated to issue five year bussiners visa along with short term investor visa of one year and three year within 24 hours. Similarly, it is directed to issue five year visa of investors within eight days.

surely this is laudable step toward right trajectory as it will provide very easy method for foreign investors to invest in

Pakistan

Project for freelancers by SIFC:

under this project, 6 lac of freelancers can earn 5 to 10 dollar per day

This will result in ^{creation of} 3 billion dollar annually.

Conclusion:

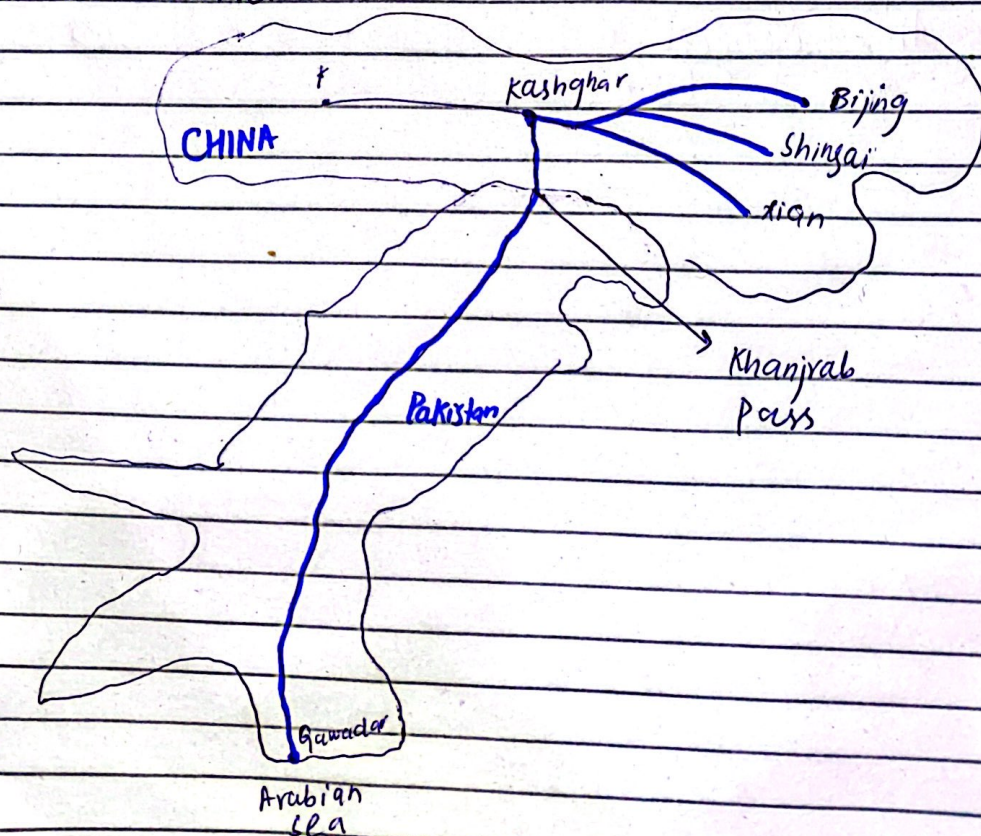
In the wake of harrowing situation of economy in Pakistan, government of Pakistan announced the creation of special investment facilitation council which will act as single window to attract foreign direct investment. SIFC has the potential to attract investment from all over the world including China and middle east. Effective policy formation and correct use of this council will help Pakistan to get stabilize.

QUESTION-3

China Pakistan Economic Corridor

Introduction:

China Pakistan Economic corridor has been established to increase the diplomatic ties between both nations. CPEC was (was) introduced in 2013. It consist of 3218 Km long route connecting the north west part of china to Gwadar through railways, motorways, gas pipelines etc. CPEC is part of one belt one road initiative of china that will connect china to the rest of world.



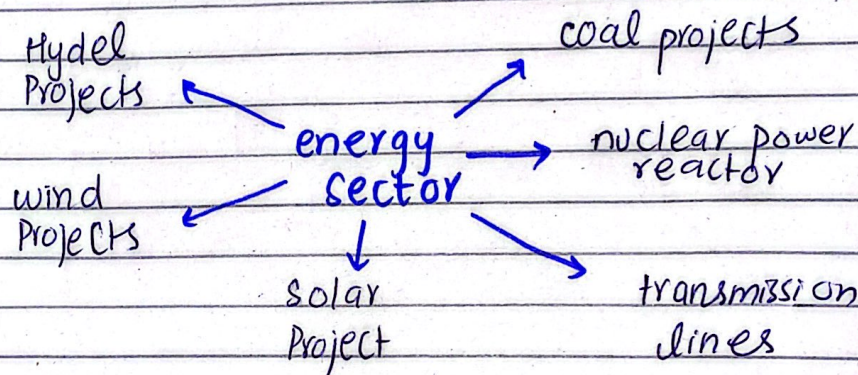
Pakistan and China are celebrating decade of CPEC. Following are the successes and failures of the project

1: Investment in energy sector

Under CPEC, 36 billion dollars has been invested in Pakistan out of which 20 billion dollar has been reached.

CPEC committed to generate 18000 MW of electricity out of which more than 8000 MW has already produced.

Areas of investment



coal project:

coal will produce 6500 MW of electricity. There are three rental projects in Hub, Karachi and Sahiwal which has the potential to produce 1320 MW of electricity. That coal project include four projects producing 320 MW per project.

Nuclear power reactor:

Karachi nuclear power plant has the potential to produce 1100 MW of electricity.

Hydel power projects:

Hydel power projects has the potential to produce 5000 MW of electricity.

This project involve Karrot, Sukhi Kinari, Pir Mahal, azad putan and Kohala dam out of which Karrot and Sukhi Kinari dam is completed while other dams are under construction

Wind power project:

Wind power project has the potential to produce 3000 MW of electricity.

These projects are situated near coastal belts of Sindh and Balochistan

Solar Power Project:

solar power project has the potential to produce 2500 MW of electricity

↳ Objective of Investment in energy sector

The objective to invest in energy sector is to reduce the loadshedding in Pakistan along with cheaper production of electricity and using local source of electricity generation. Cheap electricity will result in reduction of production cost of electricity.

↳ Success of investment in energy sector

Investment that has been made by China has reached Pakistan. Secondly, load shedding has been reduced with addition of extra MW of electricity

↳ Reality of the project

Most of the projects under CPEC is rental that includes coal projects in Hub, Sahiwal and Karachi

Along with this the LNG project in Seikhapura is also rental.

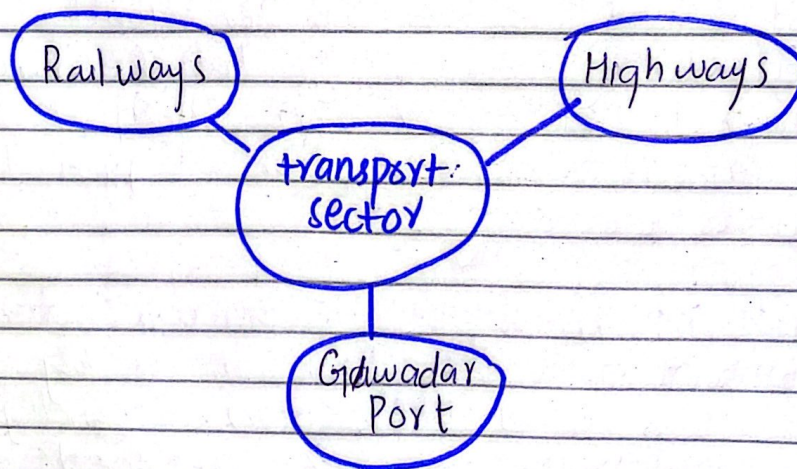
These rental project is increasing circular debt on Pakistan which has been raised to 2.3 trillion dollars.

Instead of getting benefitted from projects, Pakistan is getting trapped in quagmire of debt.

↳ Opportunities related to investment in energy sector.

China is focused on industrialization of energy which will be advantageous for Pakistan in long run by reducing trade deficit and debt burden.

2- Investment in transport sector



Under CPEC, many highways, railways has been created including development of sea port of Gwadar.

Motorways:

Motorways that are constructed under CPEC includes ^{area} southern part of corridor in which ~~part~~^{motorway} connecting Gwadar to Beseema. Northern part of corridor include motorway connecting Khanjrab to Burhan. Eastern alignment include ~~part~~^{motorway} connecting Burhan to Faisalabad, Multan, Sukkhar with motorway connecting Sukkhar and Hyderabad is under construction. Western alignment include motorway that connects Burhan, Islamabad, D.I Khan, Quetta, and Gwadar.

Railways:

Railways under CPEC include ML-1 that will connect Karachi, Lahore and Peshawar

Gwadar port:

3km trunk ahead into sea is created at Gwadar port along with 22 km towards east and 16 km toward west artificial coastal land expansion. Gwadar port is the biggest port in South Asia

↳ Reality related to investment and development in transport sector

ML-1 is not initiated yet. The focus is concentrated on construction of orange line and Metro bus rather than building ML-1 that holds international significance. Similarly, no major development has been made at Gwadar sea port from ^{past} 10 years

Iran has not only created a port but also a artificial city meanwhile

3- Investment in Agriculture Sector

China has announced to make major investment in agriculture sector worth 100 billion dollars.

Focus of china will be on better irrigation system, seed development, investment in fisheries and livestock along with taking land on lease

↳ Reality about investment and development in agriculture sector

The process of acquiring land is very slow along with the process of better irrigation system and seed development is even more (slower) slower.

↳ opportunities:

If proper measures are taken to reduce the impediments in the way of investment in agriculture sector then it will be beneficial for Pakistan. China will be the biggest importer of agricultural products. With the investment of 100 billion dollar, our agriculture sector can become a game changer for the fragile economy of Pakistan

Concerns related to CPEC

Many countries like India, USA and western countries said that CPEC will play the role of next East India company for Pakistan.

All the projects of CPEC are ^{debt} causing and Pakistan being the fragile economy will not be able to return the debt back as a result of which the projects will be taken over by China like Hambantota port of Sri Lanka.

Another point raised by other countries that the majority of developers are Chinese in CPEC projects.

Similarly majority of machinery and workers are Chinese leaving lesser space for Pakistan workers and developers.

Optimism about the projects under CPEC

Majority of the projects are not rental as they work on foreign direct investment and public private partnership.

Similarly the debt provided by China is of low interest rate and easier terms.

The workers ratio of unskilled workers is 85:15 and even this 15 percent is not claimed by Chinese.

Similarly, the ratio of skilled workers are 50:50. Definitely the skilled Chinese workers are more but they are bound to train the workers of Pakistan.

Only those machineries are acquired by Pakistan that is not available in Pakistan

Conclusion:

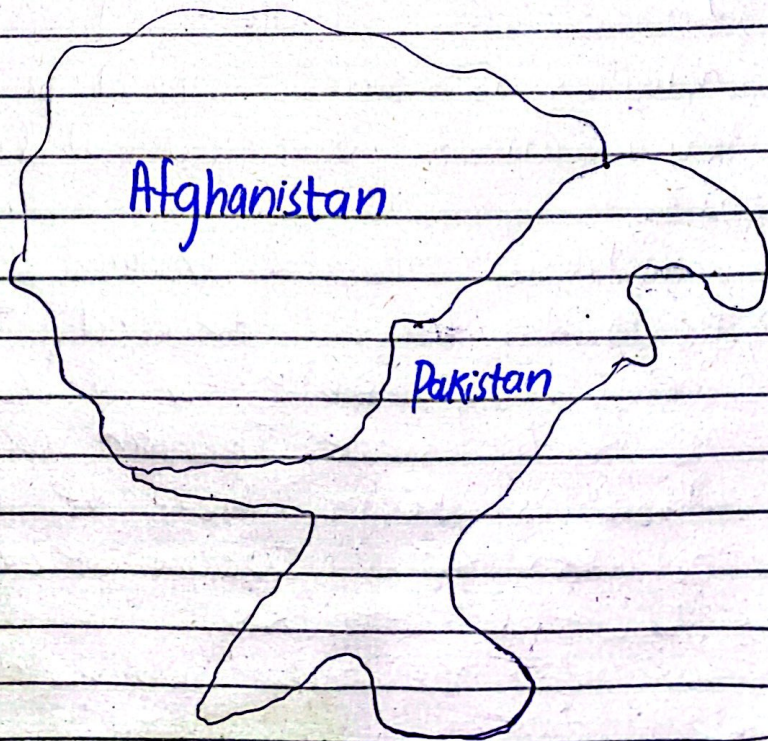
CPEC is a platform that was launched to increase the diplomatic relations between China and Pakistan. Under CPEC, number of projects has been initiated including energy projects, transport related projects etc. CPEC is a game changer for Pakistan. Many hurdles and shortcomings are part of CPEC project but along with shortcomings it paves the way for Pakistan towards success.

QUESTION - 6

Pakistan - Afghanistan Relations

Introduction:

Since the inception of Pakistan, its relationship with Afghanistan is ~~ore~~ unstable in the wake of rise in terrorism in Pakistan since Taliban takeover in Kabul in 2021, Pakistan decided to expell all the undocumented people from Pakistan which further strained the already fragile relation with Afghanistan.



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⇒ Rise in terrorism in Pakistan

Since Taliban took over Kabul, number of terrorist attack has been increased tremendously.

According to a report published by **Pakistan institute for peace studies**

there is 73 pc escalation in terrorist attack since Taliban rule came back in Kabul. From August 2021 to April 2023, there is 183 pc increase in fatalities.

After a brief period of peace in Pakistan, terrorist activities raised due to the end of ceasefire by TTP in November 2022. Balochistan and KPK has been badly hit by terrorist attacks but the recent incidents paints the grim picture that the tendrils of terrorism has reached to heartland of Pakistan.

According to the report published by **Pakistan Institute for conflict and security studies**; In 2023, terrorist activities is raised by 81 pc with 600 terror attack and 900 fatalities till November 2023.

Current Prime Minister Anwarul Haq Kakar directly points his finger toward Taliban for being responsible for terrorist activities. He said, since Taliban came in power, there is 60 pc increase in terrorist activities and 500 pc increase in suicidal attacks.

As per report published by **Pakistan Institute of peace studies security index 2023**; the violence related fatalities has shot 6 years high with 2871 fatalities.

including thousand plus civilians and security officials.

In January 2023, a suicide attack happened at Peshawar mosque of police civil lines resulting in hundred plus fatalities with majority of police officials.

Years deadliest attack took place in D.I Khan where terrorist rammed explosive laden vehicle followed by suicide bombing resulting in ^{death} of 23 troops as per **CENTCOM**; terrorist activities in Pakistan is raised since Taliban government gained power

UNSC said that Afghanistan should refrain from getting their soil used for terrorist activities inside Pakistan.

Pakistan urged Taliban many times to take some tangible action in the regard of terrorism but Taliban always accused Pakistan for pointing toward them in result of their own policy flaws.

⇒ Scapegoating of Afghan refugees

Pakistan has long hosted Afghan refugees since Soviet invasion in Afghanistan in 1979. In last four decades, Pakistan became the front line state for Afghans against two wars due to which Pakistan became the main destination for Afghan refugees.

Another large bulk of refugees came to Pakistan when US led war in Afghanistan quelled. About half a million people came to Pakistan when Taliban regain the power in Afghanistan.

Approximately 3 million Afghan refugees were seeking shelter in Pakistan out of which 1.7 million Afghans were undocumented.

On 26 September, 2023, the government of Pakistan introduced the plan of repatriation of undocumented immigrants from Pakistan.

Plan of repatriation of illegal immigrants

This plan provides the outline for deportation of illegal immigrants from Pakistan. Government of Pakistan issues the guidelines to create deportation centers in every province. Illegal immigrants were advised to sell all their property and were allowed to take only 50000 rupees along them per family.

A deadline of 1 November, 2023 were provided to leave the country.

As per IOM, 63000 Afghans came to Pakistan in first few months (in) of 2023.

Stance of Pakistan regarding the repatriation of illegal immigrants:

Pakistan is of the stance that this process is not directed towards Afghan refugees.

This process is directed against all the illegal (pe) immigrants residing in Pakistan without documentation and over their visa validity.

Pakistan is not a signatory of Geneva convention or UNHCR so it is legal right of Pakistan to take this action.

Pakistan's action aligns with norms of International law to detect and expel all illegal immigrants.

Objective of Pakistan against the repatriation Plan

The prime objective of Pakistan is the rise of terrorism which resulted in loss of life and property.

Pakistan being the vulnerable economy is not able to host such a large population of refugees without foreign aid. It was very difficult for Pakistan to provide food, shelter and medicine to such large mass.

Foreigners were engaged in terrorist activities which was trashing the national image of Pakistan.

Response of Taliban government on the repatriation of Afghan refugees

Taliban government got very angry on the act of Pakistan and they call this action of Pakistan

as a "cruel action". This action of Pakistan further strained the already vulnerable situation and relation between Islamabad and Kabul.

(What)

Possible outcomes of Pakistan's repatriation plan

Pakistan should understand that the Taliban government let their administration fall instead of giving up Al-Qaeda.

This action of Pakistan will further excite the flame of revenge against Pakistan and consequently there will be more terrorist attacks.

It will provide space to India to excite flame of revenge of TTP against Pakistan.

Way Forward

Pakistan and Afghanistan, instead of public accusation against each other should talk and deal with this problem mutually.

Pakistan and Afghanistan should revive the Afghanistan - Pakistan Action Plan for Peace and security.

Afghanistan should pay attention toward avoiding their soil use - getting used for terrorism.

Afghanistan is a difficult customer to deal but Pakistan has no one to talk to in Kabul so Pakistan should not provide space to India to exploit TTP and use them against Pakistan.