Batch 001

Q#1:

SIFC and FDI in Pakistan from Middle East and China ~ Chances of investment in Pakistan

1. Introduction

Government of Pakistan has decided to utilize the untapped sectors of land by introducing the national economic revival plan under the auspices of SIFC. Council has been focused to streamline procedures and remove bottlenecks related to investments. Although, the plan has been prescribed which include collaboration with the local stakeholders including national and provincial governments; however, the weight has been put into the arena of FDI. The mechanism is under debate of academia owing to its link with FDI as there are several factors to be considered. The involvement of security institutions poses questions on the legitimacy of civilian institutions. Furthermore, the FDI from the countries like KSA and China has increased to what extent has been a topic of debate in civil society.

2. SIFC and FDI in Pakistan from Middle East and China

objectives ?

a) SIFC ~ Politics of Economy or Charter of Economy

SIFC is a mechanism introduced to strengthen the dwindling economy of the country. Pakistan's economy has been under stress after the covid time period. It has dwindled to dangerous level just averting the default. The stand by agreement (SBA) has, however, gave breathing space but the rupee has been depreciating against dollar and dollar reserves are depleting. This situation particularly is linked with the structural fault lines. There has been remarkable growth of various cartels who manipulate the market prices. To tap such activities, security institutions involvement become inevitable.

b) SIFC and its policies to attract FDI

(i) Remove the customs taxes on imported machinery

By removing the custom taxes and levies on imported machinery, SIFC ensures that foreign investors find it convenient to find mining areas capacities. Imported machinery will be used to harness the areas of mining, agriculture, livestock and energy.

(ii) Full Equity ownership to the investors

SIFC has devised the mechanism to ensure full equity ownership to the investors in order to attract more investment in Pakistan.

"Thar coalfields has been designated as a special economic zone with zero customs duties on machinery imports, withholding tax exemptions on dividents for the initial 30 years."
PRIME

"corporate agriculture farming will allow foreign investors to have full equity ownership."
PRIME, Express Tribune

c) FDI in Pakistan from Middle East and china

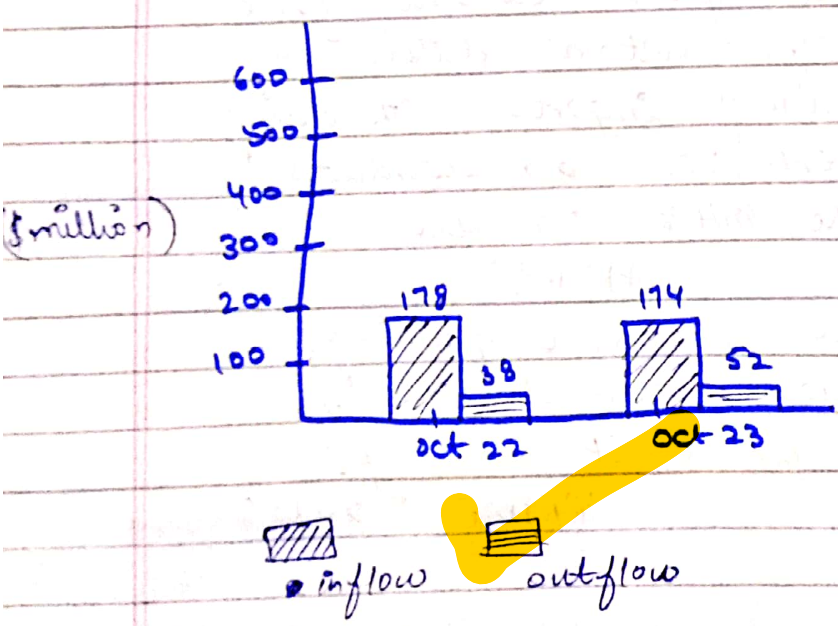
Although, the CPEC progress has increased to some extent but

The efficacy of SFIC to attract more FDI has been questioned on several fronts.

FDI in FY24 stood at $524 million and no vivid improvement in the country's FDI has been witnessed

Business Recorder

SFIC has the short term approach which is one of the critics of SIFC and it has excluded the local business community which hinders or hampers the effective policy formulation



FDI : FY23 vs FY24

Source : State Bank of Pakistan

3- Chances of Investment in Pakistan

a) Intervention of security institutions in economic matters ~ a criticism

Intervention of security institutions in economic matters questions the legitimacy of the civilian institutions. Furthermore, it makes foreign investors doubtful about the country's policies.

b) Power of SIFC to summon the civilian institutions

According to SIFC mandate, The Body has the power to summon civilian institutions on the matter of economics which further deteriorate the image of country across the outside world.

c) SIFC members must comprise of technocrats and specialists in the field of economy ~ a recommendation

SIFC members are those in establishment rather in the technocracy which is one of the criticism.

4. **Conclusion:**

The factors of intervention, short term policies approach, inability to address the structural issues and the exclusion of local stakeholders poses questions on the inefficacy of the body and contribute to the distrust. Therefore, the body has been able to attract meagre amount of FDI. Unless the structural changes occur, the ratio of FDI will persist to be under low level.

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