[Industrial upgrading and SEZs along CPEC](https://nation.com.pk/22-Jan-2020/industrial-upgrading-and-sezs-along-cpec%22%20%5Ct%20%22_new)

Ahsan Munir January 22, 2020

CPEC has been termed as ‘Game Changer’ by incumbent and previous governments. It has been claimed that numerous special economic zones (SEZs) proposed along the CPEC route will have a positive effect on the economy of the country.

A vital role of SEZs (read export-oriented zones, where foreign firms are given special concessions and incentives) is to contribute to industrial upgrading and increased economic activity in host country. SEZs have played an important role in the industrial upgrading and technology transfer in newly industrialised East Asian economies, especially in South Korea, Taiwan, Malaysia and the Philippines. These governments promoted tools which help in technological upgrading of various local industrial sectors, and being part of value chains of higher-end technological firms in SEZs is one such tool.

These East Asian economies ensured that foreign firms in SEZs only import high-end technology not existing in the country, transfer the knowledge associated with the imported technology and train local manpower on imported technologies. Also, these economies ensured that local firms were engaged in value chain of high-end firms established in these SEZs. This had spillover effects over whole of economy as new technologies and skills acquired in SEZs helped to increase overall quality, productivity of various industrial sectors of these economies.

Thus, it needs to be ensured that in SEZs being established along CPEC, our technical workforce-including engineers, are trained and employed, and our local firms are made part of value chain of foreign firms in SEZs. If the local firms and workforce are not involved and trained, then knowledge related to technologies will not be transferred and we will continue to assemble things at the best, as has happened in auto-sector which was liberalized in nineties but is still assembling autos.

Further, it needs to be ensured that technologies introduced by foreign firms in SEZs are neither low-tech, nor near obsolescence, or harmful to environment, as these factors inhibit industrial upgrading of host country. Foreign firms might bring low-tech industry with better production and management techniques, but these factors are not a source of sustained competitiveness in the international market. Also, near obsolete technology will leave the host country with SEZs which would fail in few years, and the host will be left with financial liabilities and the problem of disposing off the obsolete technology, which may also have adverse environmental effects.

Thus, technological upgrading is the need of hour for our industrial sector, which is, at present, more obsessed with grabbing incentives, waivers and special trading status at international level. The government should associate incentives and waivers with successful technological upgrading for better value-added products, both at sector and firm level; and accordingly form policies, at national and regional level, to ensure that CPEC SEZs help in technological upgrading and diversification of our local industry. Accordingly, key performance indicators (KPIs) need to be introduced to monitor the efficacy of SEZs in promoting industrialisation and employment in Pakistan, and exit mechanisms need to be in place to stop ill-designed programs at early stages.