**The change constant**

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In 1997, in a meeting with the Pakistani prime minister, former Malaysian prime minister Mahathir Mohamad said that the constant change in governments in Pakistan would often turn everything – social, economic and investment policies and programmes – upside down.

He also expressed that there was no continuity of projects and that if government decisions were arbitrary, no genuine investor would come to Pakistan, paving the way for fly-by-night operators to exploit the country’s weaknesses.

Did that advice from a successful Asian leader of make any difference to our style of governance? The answer lies in the fate of a concrete project – the largest foreign direct investment (FDI) – of Pakistan at the time. It fell victim to the very arbitrary and egoistic governance against which Dr Mahathir had warned us.

As Pakistan pulls itself out of the current dire straits and picks up the pace of development, it will again stumble on this stark realization. A bottleneck exits in the way of accelerating the industrialization of its economy and trade and investment momentum in the shape of expensive energy and the absence of deepwater ports for delivering the supplies to its main markets.

Pakistan’s power rates are among the most expensive in the world, and its ports and harbours need a major upgrade. Both hinder any effort made to add value and create the related ecosystem without which Pakistan’s dreams of development will not materialize.

Pakistan’s two ports – Karachi and Qasim – are inadequate to meet the demands of an accelerated pace of development for a number of reasons. And its third port – Gwadar, which is a deepwater port and has geostrategic significance – is located far away from domestic markets, which are located around the main railway line running from Karachi to Peshawar. Gwadar is useful for our friend China and will be useful for Central Asian States as well, when it is connected to these markets by the rail and road network. However, this dream has remained unrealized for many years because of the prevailing security conditions in Afghanistan.

This leaves us with the two inadequate ports of Karachi and Qasim. If we have submitted to keeping Pakistan a poor country – crawling at a growth rate of three to four per cent – unaffordable energy and two inadequate ports will keep it underdeveloped for an even longer period. But if we are serious about building a better future for our country and becoming a rapidly advancing economy, our development priorities should be cheap energy and a deepwater port close to our markets.

It was the recognition of this strategic bottleneck that led me, as head of the Board of Investment, to have technical and commercial data collected from home and abroad to address both issues. A survey of Pakistan’s coast indicated eight locations suitable for ports – four on the coast of Balochistan and four on the coast of Sindh. The further evaluation of these sites was carried out under the following six criteria: potential to handle ships of up to 200,000dwt; availability of basic infrastructure for port construction; easy connectivity with rail, road or waterways for transporting cargo; proximity to main markets; and providing Pakistan a deepwater port at the lowest cost and in the shortest possible time. When these criteria were applied to all eight locations, the one that stood out was Keti Bandar.

Accordingly, an investment project of the Keti Bandar deepwater port along with coal-based power plants was prepared and marketed with other investment projects to investors in Europe, the US, Australia and Asia through investment conferences and business meetings with potential investors and chamber leaders. (The reality is that despite climate conferences, over 50 per cent of power plants added last year were coal-based, and after the Ukraine war, are expected to rise further.)

We finally reached an agreement in 1996 on the largest FDI project in Pakistan whose initial investment was $1.8 billion. This was all direct foreign investment with no financial burden upon Pakistan. The power generated (5200MW) by these power plants was affordable – at Rs2.4 per unit. To synergize with deepwater port and abundant power supply, a Special Industrial Zone (SIZ) was created at Keti Bandar. This aroused interest from investors who wanted to relocate their industries there to benefit from these facilities and the large market of Pakistan.

From South Korea alone, I received a list of 120 companies which expressed their willingness to relocate at the Keti Bandar industrial zone. One foreign investor agreed to set up a technical institute to provide required professionals for various facilities located there. While another foreign investor put their technical staff to work on construction of an airport so that busy executives of these companies could fly in and out without wasting much time. A new city devoted to investment and exports was rising in Pakistan.

While all this was going on, and the work on the main project started with foreign investor setting up office and employing staff, the Pakistani people were hit by another change that Dr Mahathir had talked about – The second government of the late Benazir Bhutto was toppled before completing its term in November 1996. After the elections in the ‘usual’ manner, the new government took office and the country turned upside down.

Without seeking any briefing on the Keti Bandar projects, the value of FDI attracted by these productive activities or the need for a deepwater port in Pakistan, the new government discontinued the private-sector project – the largest investment project – without any reason.

Several foreign investors strongly protested this arbitrary and unjustified action. The government issued a letter to them and explained that the cancellation was not on account of any fault on their part and returned the $5 million performance guarantee they had deposited with the government. The investors left, but Pakistan’s image as an investment destination suffered a fatal blow.

Given how Reko Diq investors got a now-waived $11 billion penalty imposed on Pakistan for infringement of their rights to potential profits through the International Centre for Settlement of Investment Disputes (ICSID), the Keti Bandar investors had a much stronger case against this arbitrary cancellation of their investment agreements and would also have received billions in damages from Pakistan had they chosen to approach the ICSID.

Development is an incremental process. These self-destructive habits of pulling each other down and damaging and destroying good projects and programmes just because these were initiated during the tenure of a rival party or are located in another province have caused more damage to both democracy and federalism than any outside elements.

The Keti Bandar project was started by Pakistan on its own. We launched the largest investment project ourselves because it attracted investment on its merits. Those merits have increased now, if anything, and should be marketed by ourselves without waiting for others to do it for us. The dependency syndrome kills a country’s ability to solve its problems, and Pakistan must learn to stand on its own if we really want to develop.

Keti Bandar would not have possibly seen the light of the day had we remained stuck in dependency syndrome.

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