**SIFC Needs to Look at Impediments to Investment**

**Present-day reality in Pakistan is that the country is rapidly de-industrialising.**

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June 05, 2024

There has recently been a lot of hype on foreign investments coming into Pakistan; seemingly a lot of running from pillar to post by the prime minister to get countries like China, the UK, and the Middle Eastern states on board to pour capital into the Pakistani markets. The trouble is that foreign investment is never an easy process for either side, the investor and the recipient, since both parties must ensure a win-win for all stakeholders. One wonders what kind of homework has been done on our side to even seek such ad-hoc investments at such an early stage of this government, because our economic history is full of unwarranted FDIs, which in effect turned out to be a bane rather than a boon for Pakistan, resulting in rent-seeking, market distortions, external account deficits and last but not least, foreign exchange capital outflows without adding much to the national exports. It is in this context that one is worried. The successful FDI models are often a complex chart of numerous elements comprising of: the level of investment being sought; in which sectors it is being sought; the kind of investment; sustainability; who drives it; whether or not it adds to the GDP productively; accompanying technology and know-how; skill set development; bearings on the incubator effect, the reverse osmosis effect, if any, and these to name only a few. However, invariably the most important element is who drives it. Meaning, is it domestic private sector driven in a way that adds to exports and/or imports substitution; aids domestic manufacturing or de-industrialises the country and whether the investment significantly comes from businesses already working in Pakistan – always a litmus test for the quality of incoming investors & investments and on the prevailing business environment in the country!

The present-day reality in Pakistan is that the country is rapidly de-industrialising; MNCs and foreign companies are beelining to exit the market and investment per se, both domestic and foreign, is non-existent. No rocket science that if domestic players are today shying away from investing in their own country, no real transparent foreign investment is going to come our way unless first the operative environment is fixed. This is where the SIFC should really be looking, to free the businesses from extortion, blackmail, and rent-seeking, because genuine businesses who truly contribute to the national exchequer are today afraid and being targeted both by the institutional machinery and the elected lot with little understanding of national interest and market-based dynamics. One’s family has been involved in business and industry since pre-partition with now the sixth generation entering the management streamline and never has one felt so helpless and come across such callousness towards key manufacturing along with a complete breakdown of the law enforcement agencies to ensure rule-of-law to keep the wheel of the industry running. Two incidents within a short span of time, has left one’s confidence shattered. In the first case Faisalabad’s textile unit employing more than 3,000 workers and fully on exports has been made to shut down because a local MPA has illegally blocked the relaying cum repairing a portion of the drain that takes its effluents to the main industrial drain of the municipality. The factory drain line has been there for the last 24 years, the work comes at a high cost with proper permissions from all government departments involved, is on the government’s land, an annual rent is paid against it to the relevant state company and is accompanied with a court order instructing the administration and all concerned that the work should not be disrupted.

The MPA and his brother-in-law (a Colonel in the army) supposedly own a petrol pump down the road and have directed their armed personnel not to let the line’s repair work be carried out in the road area in front of the petrol pump, which is almost 15-20 feet away; the law enforcing agencies, on the other hand, refuse to intervene and naturally the law-abiding Mill’s administration is reluctant to take any measures that entangle them further in an already adverse situation. Bodies ranging from relevant Ministries, administration, law enforcement agencies, Chambers, etc have all been approached, but to no avail. In the meantime, the Mill that is amongst the top national exporters, in the top ten value addition export units, compliant with all local and international certifications has been mostly lying closed for two months now with more than 1,000 workers in its finishing and value addition sections facing lay-offs. And one honestly thought that exports today are a priority for Pakistan!

Our business house also has the distinction of bringing in one of the first industrial foreign investments in the country through an equity-based joint venture back in the early 1960s that today has blossomed into two JVs with the respective MNCs representing perhaps the largest industrial foreign investment in Pakistan. In the second case only last weekend (after courts and government offices closed) the factory was unlawfully raided by the health department and the PFA without any paperwork or directions, naturally harassing the MNC management leaving them totally unnerved. It is one the largest and oldest multinational food company of Pakistan and an exemplary joint venture of Foreign Direct Investment, duly partnered by local investors, contributing diligently to the exchequer in the form of duty and taxes. It is also a benchmark of high-quality standards, governed by PSQCA and Punjab Food Authority. The manufacturing facility is located in Phool Nagar, Kasur providing livelihood to the locals and supporting the local community. The way the whole exercise was conducted was in itself quite surprising. Being one of the largest global MNCs, the unit complies with all the local and international laws & regulations and is always open to suggestions/improvements for providing high-quality products to Pakistani consumers. Nevertheless, the unconducive manner displayed appeared to be very damaging, left the entire staff demoralized, and will surely not land positively, neither with the foreign nor the local investors. Wonder how the global headquarters in London/Amsterdam will react to such an incident in the context of their strategic investment vision for Pakistan?

Point being that to bring in sustainable and productive foreign investment, to increase exports and to shore up domestic manufacturing, the economic decision-makers have to first look inwards and address the systemic weaknesses compounded by un-reigned political and bureaucratic elements causing irreparable damage to the very economic future of the country. Unless the cleaning-up starts from within one’s home the genuine investors will continue to either exit or shy away from placing their investment bets on Pakistan!

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